APPENDIX A

Revised September 23, 1998

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 98-10140

SBC COMMUNICATIONS, INC.; SOUTHWESTERN BELL TELEPHONE COMPANY; SOUTHWESTERN BELL COMMUNICATIONS SERVICES, INC.; SOUTHWESTERN BELL COMMUNICATIONS SERVICES-TEXAS, INC.; SOUTHWESTERN BELL INTERNET SERVICES, INC.; PACIFIC BELL; PACIFIC BELL COMMUNICATIONS; NEVADA BELL,
Plaintiffs-Appellees,

US WEST COMMUNICATIONS, INC.;
BELL ATLANTIC CORPORATION,
Intervenor Plaintiffs-Appellees,

versus

FEDERAL COMMUNICATIONS COMMISSION;
UNITED STATES OF AMERICA,
Defendants-Appellees-Appellants,

MCI TELECOMMUNICATIONS CORPORATION; AMERICAN TELEPHONE & TELEGRAPH CORPORATION; ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES; COMPETITIVE TELECOMMUNICATIONS ASSOCIATION; NATIONAL CABLE TELEVISION ASSOCIATION; SPRINT COMMUNICATIONS COMPANY L P; TELECOMMUNICATIONS RESELLERS ASSOCIATION,
Intervenor Defendants-Appellees-Appellants,

versus

KEITH MAYDAK,
Movant-Appellant.

Appeals from the United States District Court for the Northern District of Texas

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September 4, 1998

Before JOLLY, SMITH, and BARKSDALE, Circuit Judges.

E. GRADY JOLLY, Circuit Judge:

This appeal challenges the constitutionality of a significant part of the Telecommunications Act of 1996. The FCC, the United States, and numerous interested intervenors appeal the district court's determination that §§ 271-75 of the Act, 47 U.S.C. §§ 271-75, are an unconstitutional bill of attainder. Finding the provisions at issue to be nonpunitive in character, we hold that they are not, in fact, a bill of attainder as that term has been defined by the Supreme Court. Because we further hold that the provisions are also consistent with the constitutional requirements of separation of powers, equal protection, and free speech, we reverse the judgment of the district court.

I

As every antitrust law student learns these days, in 1974 the Department of Justice brought a massive, precedent-setting Sherman Act[1] suit against AT&T. *See United States v. AT&T*, 461 F. Supp. 1314 (D.D.C. 1978). For many years before the suit, most telecommunications equipment and telephone service in the United States—both local and "long distance"—had been provided by AT&T and its corporate affiliates, collectively known as the Bell System. *See United States v. AT&T*, 552 F.Supp. 131, 222 (D.D.C. 1982). Although certain

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[1] 15 U.S.C. § 1 et seq.

isolated aspects of the Bell System had become the subject of intermittent antitrust actions, consent decrees, and federal legislative intervention dating back to 1949, *see generally United States v. AT&T*, 552 F.Supp. at 135-38, no broad-based attack on the system itself had ever been launched. In 1974, however, the government changed all that. It alleged, among other things, that the way AT&T used its various state-granted local service monopolies to also monopolize the markets in long distance service and telecommunications equipment was in contravention of § 2 of the Sherman Act. *See United States v. AT&T*, 461 F. Supp. at 1317-18. AT&T ultimately conceded this assessment, for, after some initial procedural wrangling, it eventually settled with the government in what became known as the AT&T Consent Decree or Modified Final Judgment ("MFJ"). *See United States v. AT&T*, 552 F.Supp. at 222-234, *aff'd sub nom. Maryland v. United States*, 460 U.S. 1001 (1983). Under the MFJ, AT&T was required to divest itself of its twenty-two local exchange subsidiaries, which became known as the Bell Operating Companies or "BOCs." 552 F.Supp. at 223.[2]

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[2] As District Judge Greene explained the divestiture:

> The key to the Bell System's power to impede competition has been its control of local telephone service. The local telephone network functions as the gateway to individual telephone subscribers. It must be used by long-distance carriers seeking to connect one caller to another. Customers will only purchase equipment which can readily be connected to the local network through the telephone outlets in their homes and offices. The enormous cost of the wires, cables, switches, and other transmission facilities which comprise that network has completely insulated it from competition. Thus, access to AT&T's local network is crucial if long distance carriers and equipment manufacturers are to be viable competitors.
>
> AT&T has allegedly used its control of this local monopoly to disadvantage these competitors in two principal ways. First, it has attempted to prevent competing long distance carriers and competing equipment manufacturers from gaining access to the local network, or to delay that access, thus placing them

The BOCs were then grouped into seven "regional Operating Companies" or "RBOCs." 552 F.Supp. at 142 n.41. In addition, because the BOCs were allowed to retain their state-regulated local service monopolies under the terms of the MFJ, they became subject to various restrictions on their own lines of business. In particular, the BOCs were barred from competing in the markets for long distance,[3] telecommunications equipment,

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in an inferior position vis-a-vis AT&T's own services. Second, it has supposedly used profits earned from the monopoly local telephone operations to subsidize its long distance and equipment businesses in which it was competing with others.

For a great many years, the Federal Communications Commission has struggled, largely without success, to stop practices of this type through the regulatory tools at its command. A lawsuit the Department of Justice brought in 1949 to curb similar practices ended in an ineffectual consent decree. Some other remedy is plainly required; hence the divestiture of the local Operating Companies from the Bell System. This divestiture will sever the relationship between this local monopoly and the other, competitive segments of AT&T, and it will thus ensure—certainly better than any other type of relief—that the practices which allegedly have lain heavy on the telecommunications industry will not recur.

552 F.Supp. at 223.

[3] By "long distance," we refer to what is technically known as "interLATA" service. In implementing the MFJ, the district court established numerous local access and transport areas or "LATAs" within which the BOCs were permitted to operate and provide telephone service. *See United States v. West. Elec. Co.*, 569 F.Supp. 990, 993-94 (D.D.C. 1983). The way the long distance line-of-business restriction played out, each BOC was allowed to transmit telecommunications information only between points within a single LATA, providing what is, basically, the traditional local telephone service, even though every BOC encompassed several LATA's as a geographical matter. When a person in one LATA called a person in another, the BOC serving the caller's LATA was required to transmit the call to an interexchange carrier, such as AT&T or MCI, which then carried the call on its own network across the LATA boundaries, whereupon it was picked up by the BOC (pos-

and information services (including electronic publishing and alarm monitoring). 552 F.Supp. at 224.[4] The restriction on information services was subsequently lifted, *see United States v. West. Elec. Co.*, 767 F.Supp. 308 (D.D.C. 1991), *aff'd*, 993 F.2d 1572 (D.C. Cir. 1993), but the BOCs then became subject to detailed FCC regulations governing the provision of information and other "enhanced" services. *See generally In re Computer III Further Remand Provisions: Bell Operating Company Provision of Enhanced Services*, 10 F.C.C.R. 8360 (1995).

As the very existence of the numerous and ponderous post-1982 decisions of the D.C. courts should make clear,

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sibly the same one) that served the called party's LATA. *See United States v. West. Elec. Co.*, 969 F.2d 1231, 1233 (D.C. Cir. 1992). This is "long distance" service. Local, or "intraLATA" service, on the other hand, is the making of calls entirely within a single LATA, even though such calls are sometimes subject to per-minute tolls.

[4] Again, as Judge Greene explained:

> After the divestiture, the Operating Companies will possess a monopoly over local telephone service. According to the Department of Justice, the Operating Companies must be barred from entering all competitive markets to ensure that they will not misuse their monopoly power. The Court will not impose restrictions simply for the sake of theoretical consistency. Restrictions must be based on an assessment of the realistic circumstances of the relevant markets, including the Operating Companies' ability to engage in anticompetitive behavior, their potential contribution to the market as an added competitor for AT&T, as well as upon the effects of the restrictions on the rates for local telephone service. This standard requires that the Operating Companies be prohibited from providing long distance services and information services, and from manufacturing equipment used in the telecommunications industry. Participation in these fields carries with it a substantial risk that the Operating Companies will use the same anticompetitive techniques used by AT&T in order to thwart the growth of their own competitors.

552 F.Supp. at 224.

however, the MFJ was far from a final resolution of the nation's telecommunications dilemma. Its enforcement and alteration in the light of technological progress and changing market circumstances ultimately required substantial monitoring on the part of the district court, and the extensive judicial tinkering that resulted prompted many pundits to dub District Judge Greene the country's "telecommunication's czar."[5] Unsurprisingly, Congress soon became skeptical of this unusual title of judicial nobility,[6] and ultimately spent many long and contentious

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[5] *See* Fred H. Cate, *The National Information Infrastructure-Policymaking and Policymakers*, 6 Stan. L. & Pol'y Rev. 43, 50 (1994) (noting that, although "Judge Greene rendered his decision approving the Modified Final Judgment in 1982," he "retained jurisdiction under the consent decree to control the operations of both AT&T and the [RBOCs]" and "the breadth of that decree and the substantial discretion given judges to interpret antitrust laws, 'probably makes him the single most powerful decisionmaker in U.S. communications policy today,' " a veritable " 'telecom czar' ") (quoting Mark S. Nadel, *U.S. Communications Policymaking: Who & Where*, 13 Hastings Comm. & Ent. L. J. 273, 289 (1991) and *Telcom Showdown: Battle Lines Harden as Baby Bells Fight to Kill Restrictions*, Wall St. J., July 22, 1994, at A1, respectively); *see also* Michael Schrage, *Is There a Shade of Greene In the Microsoft Decision?*, Wash. Post, Feb. 17, 1995, at B3 ("Judge Greene has been alternatively praised and excoriated as a 'telecommunications czar' whose impact on telecommunications is still more forceful than that of AT&T Chairman Robert Allen or Tele-Communications Inc. boss John Malone."); Editorial, *Review & Outlook: State of the Presidency*, Wall St. J., Feb. 2, 1990, at A14 ("Judge Greene made himself Telecommunications Czar as part of the AT&T breakup; maybe he'd now like to take over running Lebanon."); Paula Dwyer, *The Baby Bells: Ready, Get Set, Diversify*, 2962 Bus. Wk. 29 (1986) (noting that a 1986 D.C. Circuit ruling was "the latest blow to Judge Greene, who, as czar of the breakup of AT&T, is the 'dominant influence on the industry,' according to William L. Weiss, chairman and chief executive of Ameritech," and remarking, presciently, that "Greene's clout and influence are already under attack on Capitol Hill, where lawmakers are pushing legislation to return supervision of the Baby Bells to the FCC").

[6] *Cf.* U.S. Const., Art. I, sec. 9, cl. 8.

years in drafting a system of comprehensive telecommunications regulation to replace and supplement the MFJ. *See SBC Communications, Inc. v. FCC*, 138 F.3d 410, 412-13 (D.C. Cir. 1998). On February 8, 1996, President Clinton executed these legislative labors into law as the Telecommunications Act of 1996 (the "Act").

As has been widely recognized, the core function of the Act is to " 'provide for a pro-competitive, deregulatory national policy framework . . . by opening all telecommunications markets to competition.' " *SBC Communications*, 138 F.3d at 413 (quoting H.R. Conf. Rep. No. 104-458, at 1 (1996), *reprinted in* 1996 U.S.C.C.A.N. at 124). To effectuate this goal, the Act prohibits states and localities from sanctioning local service monopolies or " 'prohibiting the ability of any entity to provide . . . intrastate telecommunications service.' " *Id.* (quoting 47 U.S.C. § 253(a)). It also places numerous and onerous duties and restrictions on all local telephone service providers ("Local Exchange Carriers," or "LECs")[7] that are designed to prevent a recurrence of the uncompetitive use of local service market power that occurred under the Bell System. *See id.*; 47 U.S.C. §§ 251-52.

In addition to these generally applicable local competition provisions, however, the Act also contains a number of provisions directed specifically at the BOCs. First, the uncodified § 601(a)(1) provides that the restrictions imposed by the MFJ are lifted and replaced by the restrictions of the Act. *See* Pub. L. No. 104-104, § 601(a)(1), 110 Stat. 143 (1996); *cf. United States v. West. Elec. Co.*, 1996 WL 255904 (D.D.C. Apr. 11, 1996) (terminating the MFJ in accordance with § 601(a)(1)). Second, §§ 271-76, entitled "Special Provisions Concern-

[7] Of which there are now many hundreds of independent examples (e.g., GTE Corp., Sprint Communications Company, Southern New England Telephone Company, etc.) in addition to the BOCs.

ing Bell Operating Companies," imposed renewed line-of-business restrictions on the activities of the twenty remaining BOCs; § 153(4) of the Act makes quite clear that the additional restrictions are only applicable to these twenty specific, named corporations. *See* 47 U.S.C. §§ 153(4) & 271-76. It is these latter "Special Provisions" that are at the heart of this case, and they must accordingly be examined in some detail.[8]

Inconvenient to that purpose, the Special Provisions are drafted in that rather soulless bureaucratese that is an all too familiar sight on the American legal landscape. We have attempted to pierce the statutory fog, however, and would summarize the Special Provisions' effect essentially as follows.

First, under § 271, each BOC must obtain prior authorization from the FCC before providing non-incidental long distance service to customers within the states in which the BOC was allowed to provide local service prior to the enactment of the Act ("in-region long distance service"). 47 U.S.C. § 271(a) & (b). The FCC is to grant authorization only after a number of complex criteria evidencing free competition in the particular local service market have been established. 47 U.S.C. § 271 (d)(3); *see generally SBC Communications,* 138 F.3d at 413-14. Even then, however, the BOC in question may initially only provide long distance service through a separate affiliate. 47 U.S.C. §§ 271(d)(3)(B) & 272 (f)(1). The BOCs are permitted to provide incidental long distance service and long distance service to customers located outside of their regions of former monopoly ("out-of-region long distance service") without significant limitation or prior authorization. 47 U.S.C. § 271(b) (2) & (3).

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[8] With the exception of § 276, relating to payphone service, which has not been challenged.

Second, under § 273, the BOCs may not manufacture or provide telecommunications equipment until they have met the requirements for non-incidental, in-region long distance service in § 271(d), and, once again, even then only through a separate affiliate for an interim period. 47 U.S.C. §§ 272(f)(1) & 273(a).

Finally, under §§ 274 & 275, the BOCs may not provide electronic publishing or alarm monitoring services until February 8, 2001, unless they do so by way of separate affiliate or joint venture and, in the case of alarm monitoring, only if they were engaged in the business prior to November 30, 1995. 47 U.S.C. §§ 274(a), 274(g)(2), & 275(a).

Essentially, the Special Provisions recreate most of the original line-of-business prohibitions of the MFJ, with some tweaking. In the case of information services, the recreation represents a reimposition of restrictions that had already been lifted under the regime of the MFJ. In the case of in-region long distance service and telecommunications equipment, however, the Act simply changes the administrator and specifies the rules by which Judge Greene's long-running restrictions can be lifted.

II

On April 11, 1997, plaintiff SBC Communications, which is of course one of the RBOCs,[9] applied to the FCC pursuant to § 271 to have the long distance line-of-business restriction lifted for its local service area of Oklahoma. The FCC determined that the statutory criteria had not been met, and therefore denied the application on

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[9] SBC is currently parent to BOCs Southwestern Bell, Pacific Bell, and Nevada Bell, and will become parent to Illinois Bell, Indiana Bell, Wisconsin Bell, Michigan Bell, and Ohio Bell upon completion of its planned merger with Ameritech, another RBOC. Southwestern Bell provides local services to customers in Texas, Missouri, Oklahoma, Arkansas, and Kansas. Pacific Bell serves California.

June 26, 1997. SBC appealed that ruling to the D.C. Circuit, where it was affirmed on March 20, 1998. *See SBC Communications,* 138 F.3d at 410.

Without waiting for the outcome of that appeal, however, on July 2, 1997, SBC and its subsidiaries filed suit against the United States and the FCC in the Federal District Court for the Northern District of Texas, alleging that all of the Special Provisions were facially unconstitutional under the Bill of Attainder and Equal Protection Clauses, and that § 274 violated the Free Speech Clause as well. Several long distance companies, including MCI Telecommunications Corp., Sprint Communications Company, and AT&T, the BOCs' erstwhile parent, intervened on the government's side in the dispute, and two other RBOCs, US West Communications and Bell Atlantic Corp., intervened on SBC's. Bell Atlantic added a slightly more nuanced separation of powers challenge to SBC's other constitutional complaints.

On December 31, 1997, ruling on cross-motions for summary judgment, District Judge Kendall held that the Special Provisions constituted an unconstitutional bill of attainder and that they were severable from the rest of the Act. He therefore granted SBC's motion and declared the challenged sections void. From this final judgment the United States, the FCC, and the defendant-intervenors timely appeal.

III

This court reviews the constitutionality of a federal statute de novo. *United States v. Bailey,* 115 F.3d 1222, 1225 (5th Cir. 1997).

IV

On appeal, SBC and the other appellees urge all of the arguments offered below as potential bases for affirming some or all of the decision of the district court. We consider each contention in turn, beginning with SBC's pri-

mary and most substantial complaint that the Special Provisions constitute a bill of attainder.

A

Article I, sec. 9, cl. 3 of the United States Constitution provides that "[n]o Bill of Attainder or ex post facto law shall be passed [by Congress]." [10] As the Supreme Court has often clarified, "[i]n forbidding bills of attainder, the draftsmen of the Constitution sought to prohibit the ancient practice of the Parliament in England of punishing without trial 'specifically designated persons or groups.' " *Selective Service System v. Minnesota Public Interest Research Group*, 468 U.S. 841, 847 (1984) (quoting *United States v. Brown*, 381 U.S. 437, 447 (1965)). Consistent with this characterization, the Court has generally defined a bill of attainder as " 'a law that legislatively determines guilt and inflicts punishment upon an identified individual without provision of the protections of a judicial trial.' " *Id.* (quoting *Nixon v. Administrator of General Services*, 433 U.S. 425, 468 (1977)). Where, as here, the liability in question clearly attaches by operation of the legislative act alone, the constitutional test may be summarized in the following two-pronged test: First, has the legislature acted with specificity? Second, has it imposed punishment?

In this case, SBC argues that the Special Provisions constitute a bill of attainder because they impose line-of-business restrictions on named corporations. As SBC portrays the Special Provisions, they represent Congress's unconstitutional legislative determination that the BOCs are the guilty spawn of AT&T, who deserve to be deprived of their current ability to enter the long distance, information services, and the telecommunications equipment markets as punishment for the immutable past anti-

[10] Art. I, sec. 10, cl. 1 contains a parallel provision applicable to the states.

trust violations of their former parent. The district court essentially agreed with this analysis.

Notwithstanding beguiling arguments that support the district court's holding, at bottom, we simply cannot find a constitutional violation in this case. Even assuming that the Bill of Attainder Clause applies to corporations,[11] and even assuming that the Special Provisions are sufficient to meet the specificity prong of the test,[12] there

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[11] Which does seem likely. Although the Court has yet to reach the question directly, it has suggested as much in dictum. *See Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 239 n.9 (1995) (indicating that the Clause applies to laws that punish "a single individual or *firm*") (emphasis added). Furthermore, it has been established that a number of very similar constitutional rights do apply in the corporate setting. *See, e.g., Virginia Pharmacy Bd. v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748 (1976) (freedom of speech); *United States v. Martin Linen Supply Co.*, 430 U.S. 564 (1977) (double jeopardy); *Penn Central Transportation Co. v. New York City*, 438 U.S. 104 (1978) (takings); *Marshall v. Barlow's, Inc.*, 436 U.S. 307 (1978) (searches and seizures); *Helicopteros Nacionales de Colombia v. Hall*, 466 U.S. 408 (1984) (due process); *Metropolitan Life Ins. Co. v. Ward*, 470 U.S. 869 (1985) (equal protection).

[12] Again, probably a safe assumption in this case, as the Special Provisions identify the burdened parties by name. In the entirety of the Supreme Court's attainder jurisprudence, the only case to suggest that a statute naming individuals might not satisfy the specificity prong of the test was the very unusual *Nixon*. There, the Court indicated that a law requiring Richard M. Nixon by name to turn over his presidential papers to the Administrator of General Services might not be specific enough to constitute a bill of attainder, because, as the only former president whose papers were not protected in a presidential library, Nixon represented a "legitimate class of one" for purposes of such legislation. *Id.*, 433 U.S. at 472. That unusual case seems inapposite to the one at hand, particularly in the light of the fact that the rest of the Court's attainder jurisprudence, both subsequent and prior, has consistently applied a broad interpretation of specificity. *See, e.g., Selected Service*, 468 U.S. at 847 (noting that " '[t]he singling out of an individual for legislatively imposed punishment constitutes an attainder whether the individual is called by name or described in

simply cannot be a bill of attainder unless it is also the case that the Special Provisions impose punishment on the BOCs. As Justice Scalia recently reiterated in *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211 (1995):

> The premise that there is something wrong with particularized legislation is of course questionable. While legislatures usually act through laws of general applicability, that is by no means their only legitimate mode of action. Private bills in Congress are still common, and were even more so in the days before establishment of the Claims Court. Even laws that impose a duty or liability upon a single individual or firm are not on that account invalid—or else we would not have the extensive jurisprudence that we do concerning the Bill of Attainder Clause, including cases which say that it requires not merely "singling out" but also punishment, and a case which says that Congress may legislate "a legitimate class of one."

Id. at 239 n.9 (citing *United States v. Lovett*, 328 U.S. 303, 315-18 (1946), and *Nixon*, 433 U.S. at 472, for the two final propositions); *see also Selective Service*, 468 U.S. at 851 (stating expressly that "[e]ven if the specifi-

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terms of conduct which, because it is past conduct, operates only as a designation of particular persons' ") (quoting *Communist Party v. Subversive Activities Control Board*, 367 U.S. 1, 86 (1961)); *United States v. Brown*, 381 U.S. 437 (1965) (finding law applicable to past members of the Communist Party specific enough to constitute an attainder); *Cummings v. Missouri*, 71 U.S. (4 Wall.) 277 (1866) (noting that, although "bills [of attainder] are generally directed against individuals by name," they "may also be directed against a whole class," as "[t]he bill against the Earl of Kildare and others, passed in the reign of Henry VIII," which "enacted that 'all such persons which be or heretofore have been comforters, abettors, partakers, confederates, or adherents unto the said late earl,' and certain other parties, who were named, 'in his or their false and traitorous acts and purposes, shall in likewise stand, and be attainted, adjudged, and convicted of high treason' ") (quoting 28 Hen. VIII, c. 3 (1536)).

city element were deemed satisfied," the provision at issue "would not necessarily implicate the Bill of Attainder Clause," because "[t]he proscription against bills of attainder reaches only statutes that inflict punishment on the specified individual or group").[13] Because punishment is a necessary element of an unconstitutional bill of attainder, and because we can find in the Special Provisions no punishment—as that term must be defined in the context of this case—our resolution of that question is dispositive of the attainder claim.

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As an initial matter, however, we must acknowledge that just what constitutes "punishment" for purposes of the Bill of Attainder Clause is a question of some historical and doctrinal complexity. In particular, the distinction between the punitive and the prophylactically regulatory, which is of course at the root of this case, is admittedly a fine one.

Under the common law, there were no such nuances: the very concept of "attainder" was clearly limited to criminal cases of a capital nature. As Blackstone described it:

> When sentence of death, the most terrible and highest judgment in the laws of England, is pro-

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[13] *See also BellSouth Corp. v. FCC*, 144 F.3d 58, 63-64 (D.C. Cir. 1998) (finding punishment a necessary condition of a bill of attainder, regardless of specificity, in rejecting an attack on § 274 of the Special Provisions at issue in this case); *Dehainaut v. Peña*, 32 F.3d 1066, 1071 (7th Cir. 1994) (same with regard to a provision imposing a perpetual employment bar on the air traffic controllers fired by President Reagan); *Fresno Rifle and Pistol Club, Inc. v. Van de Kamp*, 965 F.2d 723, 727 (9th Cir. 1992) (same with regard to a law affecting certain named firearms (and thus their manufacturers)); *but see BellSouth*, 144 F.3d at 72 (Sentelle, J., dissenting) (noting that, although "mere specificity may not make an act a bill of attainder," in "most cases the Court has required little more").

> nounced, the immediate inseparable consequence by the common law is *attainder*. For when it is now clear beyond all dispute, that the criminal is no longer fit to live upon the earth, but is to be exterminated as a monster and a bane to human society, the law sets a note of infamy upon him, puts him out of it's [sic] protection, and takes no farther care of him than barely to see him executed. He is then called attaint, *attinctus*, stained, or blackened. He is no longer of any credit or reputation; he cannot be a witness in any court; neither is he capable of performing the functions of another man: for, by an anticipation of his punishment, he is already dead in law. . . . The consequences of attainder are forfeiture, and corruption of blood.

4 William Blackstone, *Commentaries* *373-74 (citing 3 Inst. 213).[14] Tough stuff. Nevertheless, and consistent with this definition, common law bills of attainder were "such special acts of the legislature, as inflict[ed] capital punishments upon persons supposed to be guilty of high offences, such as treason and felony, without any conviction in the ordinary course of judicial proceedings."[15]

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[14] As Blackstone further clarified:

> [W]hen judgment is once pronounced, both law and fact conspire to prove [the attainted person] completely guilty; and there is not the remotest possibility left of any thing to be said in his favour. Upon judgment therefore of death, and not before, the attainder of a criminal commences: or upon such circumstances as are equivalent to judgment of death; as judgment of outlawry on a capital crime, pronounced for absconding or fleeing from justice, which tacitly confesses the guilt. And therefore either upon judgment of outlawry, or of death, for treason or felony, a man shall be said to be attainted.

Id.

[15] For example, the 1685 attainder of James, Duke of Monmouth:

> WHEREAS James Duke of Monmouth has in an hostile manner invaded this kingdom and is now in open rebellion, levying war against the king, contrary to the duty of allegiance; Be by

3 Joseph Story, *Commentaries on the Constitution of the United States* § 1338 at 209 (Boston 1833). A similar act that inflicted "a milder degree of punishment than death" was termed a "bill of pains and penalties." *Id.* at 209-10.

Although some of the Supreme Court's earliest opinions appeared to recognize that attainder was technically confined to capital cases,[16] its subsequent jurisprudence has uniformly supported a broader sweep for the constitutional prohibition. *See, e.g., Fletcher v. Peck,* 10 U.S. (6 Cranch) 87, 138 (1810) (Marshall, J.) ("A bill of attainder may affect the life of an individual, or may confiscate his property, or may do both."); *Cummings,* 71 U.S. at 323 ("Within the meaning of the Constitution, bills of attainder include bills of pains and penalties."); *Lovett,* 328 U.S. at 314 (" 'A bill of attainder is a legislative act which inflicts punishment without a judicial trial.' ") (quoting *Cummings,* 71 U.S. at 323); *Brown,* 381 U.S. at 447 (noting that "the Bill of Attainder Clause [i]s not to be given a narrow historical reading (which would exclude bills of pains and penalties), but [i]s in-

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and with the advice and consent of the lords spiritual and temporal, and commons in this parliament assembled, and by the authority of same, That the said James Duke of Monmouth stand and be convicted and attainted of high treason, and that he suffer pains of death, and incur all forfeitures as a traitor convicted and attainted of high treason.

1 Jac. II, c. 2 (1685), *quoted in Nixon,* 433 U.S. at 473 n.35.

16 *See, e.g., Calder v. Bull,* 3 U.S. (3 Dall.) 386, 389 (1798) (noting that "the Parliament of Great Britain claimed and exercised a power to pass [ex post facto] laws, under the denomination of bills of attainder, or bills of pains and penalties; the first inflicting capital, and the other less, punishment"); *Marbury v. Madison,* 5 U.S. (1 Cranch) 137, 179 (1803) (Marshall, J.) ("The constitution declares that 'no bill of attainder or ex post facto law shall be passed.' If, however, such a bill should be passed and a person should be prosecuted under it, must the court condemn to death those victims whom the constitution endeavours to preserve?").

stead to be read in light of the evil the Framers . . . sought to bar: legislative punishment, of any form or severity, of specifically designated persons or groups"); *cf.* 3 Story, *Commentaries* § 1338 at 210 ("But in the sense of the constitution, it seems, that bills of attainder include bills of pains and penalties.") (citing *Fletcher*).[17] Apart from making clear that the Clause reaches punishment of a lesser severity than the death penalty, however, these general statements provide little assistance to our present inquiry.

More guidance is found by considering the details of the Court's development of the punishment prong. In *Cummings v. Missouri*, 71 U.S. (4 Wall.) 277 (1866), and its companion case, *Ex Parte Garland*, 71 U.S. (4 Wall.) 333 (1866), Justice Field considered whether laws requiring that persons swear an oath under penalty

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[17] Although our information is somewhat limited, *see* Note, *Beyond Process: A Substantive Rationale for the Bill of Attainder Clause*, 70 Va. L. Rev. 475, 477 (1984) (stating that "[t]here is no record of any debate about including a ban on the bills in the Constitution," and that the provision "is scarcely mentioned by contemporary commentators"), this broad construction of the Clause's reach would appear to be consistent with the contemporary views of the Framers. In addressing Congress shortly after the Whiskey Rebellion of 1794, President Washington opined that "certain self-created societies" had been responsible for encouraging the insurrection. 4 Annals of Cong. 788 (1794). As it turned out, certain members of Congress were none too fond of these "Democratic Societies" or "Jacobin Clubs" either, and when the House considered its ceremonial reply to the President's speech, Rep. Fitzsimons of Pennsylvania moved to insert a paragraph expressing "reprobation" of the societies. 4 Annals of Cong. 899. As Professor Currie has described it, "the friends of France exploded in wrath" at the suggestion. *See generally* David P. Currie, *The Constitution in Congress: The Federalist Period 1789-1801* 190-91 (Chicago 1997). More to the present point, however, James Madison was of the specific opinion that including the paragraph would constitute a bill of attainder, because "denunciation" was punishment for purposes of that provision of the Constitution. 4 Annals of Cong. 934.

of perjury disclaiming any past sympathy for the Confederacy before engaging in certain professions [18] constituted punishment for attainder purposes. Noting that "[t]he deprivation of any rights, civil or political, previously enjoyed, may be punishment, the circumstances attending and the causes of the deprivation determining this fact," 71 U.S. at 320, and that "[d]isqualification from the pursuits of a lawful avocation . . . may also [be], and often has been, imposed as punishment" under the English law, *id.* (citing 4 Blackstone, *Commentaries* at *44), he held that the oath requirements acted to exclude the burdened individuals from lawful employment on the basis of past conduct, and were therefore punishment for attainder purposes. *See Cummings*, 71 U.S. at 325; *Garland*, 71 U.S. at 380.

Although *Cummings* and *Garland* might be viewed as establishing that any exclusion from a profession on the basis of past conduct is punishment for attainder purposes,[19] a closer examination reveals a more subtle analysis. In both cases, a four-vote dissent written by Justice Miller was premised on the belief that the laws in question were enacted not to punish the burdened individuals but instead as a prophylactic measure to protect the public from their probable future bad acts. *See Garland*, 71 U.S. at 393-96 (Miller, J., joined by Chase, CJ., and

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[18] Ministry under a provision of Missouri's post-war constitution in *Cummings*, and the practice of law in federal court under a congressional enactment in *Garland*.

[19] *See, e.g., Cummings*, 71 U.S. at 321-22:

> The theory upon which our political institutions rest is, that all men have certain inalienable rights—that among these are life, liberty and the pursuit of happiness; and that in the pursuit of happiness all avocations, all honors, all positions, are alike open to every one, and that in the protection of these rights all are equal before the law. Any deprivation or suspension of any of these rights for past conduct is punishment, and can be in no otherwise defined.

Swayne & Davis, JJ., dissenting) (arguing that, in the light of recent historic events, the oath requirement was merely a legitimate "qualification, exacted in self-defence, of all who took part in administering the government . . . and . . . was not passed for the purpose of inflicting punishment, however merited, for past offences"). Although obviously taking a different view of the ultimate outcome, Justice Field appeared to agree with Justice Miller's core proposition that a properly crafted prophylactic measure could survive attainder analysis, even where the finding of a propensity for future conduct was based solely on past acts, and the result was a bar from future employment. *See Cummings*, 71 U.S. at 319-20 (noting that "[i]t is evident from the nature of the pursuits and professions of the parties . . . that many of the acts, from the taint of which they must purge themselves, have no possible relation to their fitness for those pursuits and professions" and that the oath requirement, therefore, "was exacted, not from any notion that the several acts designated indicated unfitness for the callings, but because it was thought that the several acts deserved punishment"); *Garland*, 71 U.S. at 379 ("The legislature may undoubtedly prescribe qualifications for the office, to which [the burdened individual] must conform, as it may, where it has exclusive jurisdiction, prescribe qualifications for the pursuit of any of the ordinary avocations of life. The question, in the case, is not as to the power of Congress to prescribe qualifications, but whether that power has been exercised as a means for the infliction of punishment, against the prohibition of the Constitution.").

This relevance of applicational context and the proper existence of a "prophylactic" exception to the Bill of Attainder Clause [20] was developed further in *Dent v.*

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[20] The dissent erroneously credits us instead of Justices Miller and Field with the "discovery" of this exception. We have only supplied its moniker.

West Virginia, 129 U.S. 114 (1889), and *Hawker v. New York,* 170 U.S. 189 (1898). First, in *Dent,* Justice Field made a major interpretation of his own majority opinions in *Cummings* and *Garland* in the context of a bill of attainder challenge to a state law requiring certain educational qualifications in order to practice medicine. He held:

> The cases of *Cummings v. State of Missouri,* 4 Wall. 277, and of *Ex parte Garland, id.* 333, upon which much reliance is placed, do not, in our judgment, support the contention of the plaintiff in error. . . . They only determine that one who is in the enjoyment of a right to preach and teach the Christian religion as a priest of a regular church, and one who has been admitted to practice the profession of the law, cannot be deprived of the right to continue in the exercise of their respective professions by the exaction from them of an oath as to their past conduct, *respecting matters which have no connection with such professions.* Between this doctrine and that for which the plaintiff in error contends there is no analogy or resemblance. The constitution of Missouri and the act of Congress in question in those cases were designed to deprive parties of their right to continue in their professions for past acts, or past expressions of desires and sympathies, *many of which had no bearing upon their fitness to continue in their professions.* The law of West Virginia was intended to secure such skill and learning in the profession of medicine that the community might trust with confidence those receiving a license under authority of the state.

129 U.S. at 125-28 (emphasis added). In *Hawker,* the Court took the *Dent* analysis one step farther and upheld a state ban on medical practice by convicted felons as also not constituting punishment for purposes of the Bill of Attainder or Ex Post Facto Clauses. Relying ex-

pressly on the above quoted language in *Dent*, the Court held that the law was not unconstitutional because it did not "seek[] to further punish a criminal, but only to protect . . . citizens from physicians of bad character." *Id.* at 196.

Further development of the prophylactic exception emerged under Justice Frankfurter's tutelage. In *United States v. Lovett*, 328 U.S. 303 (1946), the Court examined a federal law that cut off salary payments to certain named federal employees, allegedly due to their "subversive" activities. Finding that the law " 'operate[d] as a legislative decree of perpetual exclusion' from a chosen vocation," and thus "accomplishe[d] punishment of named individuals without judicial trial," Justice Black struck it down as an unconstitutional bill of attainder. 328 U.S. at 316 (quoting *Cummings* and *Garland*). Justice Frankfurter took a slightly different view, however. Taking his cue from *Hawker* and the historical foundations of the Clause in the English law, he reiterated that "punishment is a prerequisite" for a bill of attainder, and that:

> Punishment presupposes an offense, not necessarily an act previously declared criminal, but an act for which retribution is exacted. The fact that harm is inflicted by governmental authority does not make it punishment. Figuratively speaking all discomfiting action may be deemed punishment because it deprives of what otherwise would be enjoyed. But there may be reasons other than punitive for such deprivation. A man may be forbidden to practice medicine because he has been convicted of a felony, or because he is no longer qualified. "The deprivation of any rights, civil or political, previously enjoyed, may be punishment, *the circumstances attending and the causes of deprivation determining this fact.*"

328 U.S. at 324 (Frankfurter, J., joined by Reed, J., concurring [in the judgment]) (citing *Hawker* and *Dent*, and

quoting *Cummings*, 71 U.S. at 320, respectively) (emphasis added). Because he found no indication in the text of the statute or the circumstances of its passage that Congress intended it as a punitive measure, Justice Frankfurter concluded that it was not a bill of attainder. *Id.* at 324-27.[21]

Following *Lovett*, Justice Frankfurter's views on the Bill of Attainder Clause commanded a majority for a number of cases in which the Court rejected every attainder challenge that it considered. *See American Communications Ass'n v. Douds*, 339 U.S. 382, 413-14 (1950) (Vinson, CJ.) (rejecting attainder challenge to federal law conditioning recognition of a labor organization on the filing of affidavits by its officers that they did not belong to the Communist Party and did not believe in overthrow of the government by force); *Garner v. Board of Pub. Works*, 341 U.S. 716, 722-23 (1951) (Clark, J.) (same as to municipal ordinance requiring employees to take oath that they had not advocated, or belonged to organization advocating overthrow of government by force and violence in the preceding five years); *DeVeau v. Braisted*, 363 U.S. 144, 160 (1960) (Frankfurter, J.) (same as to state law prohibiting felons from soliciting or receiving dues on behalf of any waterfront union); *Flemming v. Nestor*, 363 U.S. 603, 617 (1960) (Harlan, J.) (same as to federal law providing for the termination of Social Security benefits of aliens who were deported on certain grounds); *Communist Party v. Subversive Activities Control Board*, 367 U.S. 1, 86-88 (1961) (Frankfurter, J.) (same as to federal law imposing registration and other burdens on "Communist-action" organizations). Although some of these decisions were premised in part

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[21] The dissent dismisses our reference to Justice Frankfurter's concurrence in *Lovett* because it did not reflect the majority view in that case. Such a back-of-the-hand to the alleged "cornerstone of the majority's theory" (*see* Dissent, p. —) ignores the influence of the Frankfurtian view in many subsequent cases cited herein.

on a strict historical reading [22] of the Clauses [23] as requiring that a bill specify the offense and clearly declare the guilt of the burdened individual or class to be unconstitutional,[24] they also maintained the prophylactic exception developed in *Hawker* and *Dent*. *See, e.g., Douds*, 339 U.S. at 413-14 (finding *Lovett, Garland*, and *Cummings* distinguishable because "in the previous decisions the individuals involved were in fact being punished for past

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[22] Since expressly abandoned. *See Brown*, 381 U.S. at 447.

[23] Based on Justice Frankfurter's general model of bifurcated constitutional adjudication:

> Broadly speaking two types of constitutional claims come before this Court. Most constitutional issues derive from the broad standards of fairness written into the Constitution (e.g. "due process," "equal protection of the laws," "just compensation"), and the division of power as between States and Nation. Such questions, by their very nature, allow a relatively wide play for individual legal judgment. The other class gives no such scope. For this second class of constitutional issues derives from very specific provisions of the Constitution. These had their source in definite grievances and led the Fathers to proscribe against recurrence of their experience. These specific grievances and the safeguards against their recurrence were not defined by the Constitution. They were defined by history. Their meaning was so settled by history that definition was superfluous. Judicial enforcement of the Constitution must respect these historic limits. The prohibition of bills of attainder falls of course among these very specific constitutional provisions.

Lovett, 328 U.S. at 321 (Frankfurter, J., joined by Reed, J., concurring [in the judgment]).

[24] *See Lovett*, 328 U.S. at 321-23 (Frankfurter, J., joined by Reed, J., concurring [in the judgment]) ("The distinguishing characteristic of a bill of attainder is the substitution of legislative determination of guilt and legislative imposition of punishment for judicial finding and sentence. . . . All bills of attainder specify the offense for which the attainted person was deemed guilty and for which the punishment was imposed. There was always a declaration of guilt either of the individual or the class to which he belonged. The offense might be a pre-existing crime or an act made punishable ex post facto.").

actions; whereas in this case they are subject to possible loss of position only because there is substantial ground for the congressional judgment that their beliefs and loyalties will be transformed into future conduct," and noting that, even though "the history of the [burdened individuals'] past conduct was the foundation for the judgment as to what the future conduct is likely to be," that fact "does not alter the conclusion that [the statute] is intended to prevent future action rather than to punish past action"); *DeVeau*, 363 U.S. at 160 (finding that the state "sought not to punish ex-felons, but to devise what was felt to be a much-needed scheme of regulation of the waterfront, and for the effectuation of that scheme it became important whether individuals had previously been convicted of a felony"); *Flemming*, 363 U.S. at 617 (noting, with respect to the statute before the Court, that "it cannot be said, as was said of the statute in *Cummings*, that [the disability imposed] bears no rational connection to the purposes of the legislation of which it is a part, and must without more therefore be taken as evidencing a Congressional desire to punish") (citing *Cummings*, 71 U.S. at 319, and *Dent*, 129 U.S. at 126).

After this Frankfurtian phase, however, the Court appeared to pointedly reassess the essential nature of the Clause, and the scope of the punishment requirement. In *United States v. Brown*, 381 U.S. 437 (1965), after surveying the above described cases, Chief Justice Warren viewed the Bill of Attainder Clause as expressive of some of the most fundamental ideals of separation of powers, in addition to its more specific prohibition:

> [T]he Bill of Attainder Clause not only was intended as one implementation of the general principle of fractionalized power, but also reflected the Framers' belief that the Legislative Branch is not so well suited as politically independent judges and juries to the task of ruling upon the blameworthiness of, and levying appropriate punishment upon, spe-

> cific persons. "Every one must concede that a legislative body, from its numbers and organization, and from the very intimate dependence of its members upon the people, which renders them liable to be peculiarly susceptible to popular clamor, is not properly constituted to try with coolness, caution, and impartiality a criminal charge, especially in those cases in which the popular feeling is strongly excited, —the very class of cases most likely to be prosecuted by this mode." By banning bills of attainder, the Framers of the Constitution sought to guard against such dangers by limiting legislatures to the task of rulemaking. "It is the peculiar province of the legislature to describe general rules for the government of society; the application of those rules to individuals in society would seem to be the duty of other departments."

381 U.S. at 445-46 (quoting 1 Cooley, *Constitutional Limitations* 536-37 (8th ed. 1927), and *Fletcher*, 10 U.S. at 136, respectively).[25] Acting on this broad view

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[25] *See also Landgraf v. USI Film Prod.*, 511 U.S. 244, 267 n.20 (1994) (quoting *Richmond v. J.A. Croson Co.*, 488 U.S. 469, 513-14 (1989) (Stevens, J., concurring in part and concurring in the judgment)):

> Legislatures are primarily policymaking bodies that promulgate rules to govern future conduct. The constitutional prohibitions against the enactment of ex post facto laws and bills of attainder reflect a valid concern about the use of the political process to punish or characterize past conduct of private citizens. It is the judicial system, rather than the legislative process, that is best equipped to identify past wrongdoers and to fashion remedies that will create the conditions that presumably would have existed had no wrong been committed.

and The Federalist No. 44, at 301 (James Madison) (J. Cooke ed. 1961):

> Bills of attainder, ex post facto laws, and laws impairing the obligation of contracts are contrary to the first principles of the social compact, and to every principle of sound legislation. . . . The sober people of America are weary of the fluc-

of the Clause's role in the constitutional structure, Chief Justice Warren held that the law in question—making it a crime for a past or current member of the Communist Party to hold certain union positions with a potential to disrupt interstate commerce—was an unconstitutional bill of attainder:

> The statute does not set forth a generally applicable rule decreeing that any person who . . . possesses certain characteristics . . . shall not hold union office, and leave to courts and juries the job of determining what persons . . . possess the specified characteristics. Instead, it designates in no uncertain terms the persons who possess the feared characteristics and therefore cannot hold union office without incurring criminal liability—members of the Communist Party.

Id. at 450.

The broad holding in *Brown* was not without its caveats, however, and to these we must turn in order to assess the precise role of punishment in the case. In distinguishing § 32 of the Banking Act of 1933—providing that the officers, directors, and employees of certain securities firms could not serve as officers, directors, or employees of member banks in the Federal Reserve System—from the statute at issue, the Court noted that:

> [The union law], unlike § 32 of the Banking Act, inflicts its deprivation upon the members of a political group thought to present a threat to national security. As we noted above, such groups were the targets of the overwhelming majority of English and

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tuating policy which has directed the public councils. They have seen with regret and with indignation, that sudden changes and legislative interferences in cases affecting personal rights, become jobs in the hands of enterprizing and influential spectators; and snares to the more industrious and less informed part of the community.

> early American bills of attainder. Second, § 32 incorporates no judgment censuring or condemning any man or group of men. In enacting it, Congress relied upon its general knowledge of human psychology, and concluded that the concurrent holding of the two designated positions would present a temptation to any man—not just certain men or members of a certain political party. Thus insofar as § 32 incorporates a condemnation, it condemns all men. . . . In designating bank officers . . . Congress merely expressed the [general] characteristics it was trying to reach in an alternative, shorthand way.

Id. at 453-54.

Thus, although *Brown* began with a fairly broad construction of the Clause, and thereby supplied SBC with a large portion of its argument in the instant case, it did not purport fully to abandon the prior development of the punitive element. As the above discussion makes clear, one of the key reasons that the Court found § 32 distinguishable was that it did not incorporate a "judgment censuring or condemning any man or group of men." Further, the Court explicitly left open the possibility of accomplishing non-punitive, prophylactic economic legislation by way of "shorthand" designations.

This latter theme was picked up one last time in *Nixon v. Administrator of General Services*, 433 U.S. 425 (1977), where the Court summarized and rationalized its extensive attainder jurisprudence and developed the most comprehensive analysis of the punishment prong that has been offered to date. In that case, the Court upheld a law that, as noted, directed Richard M. Nixon by name to turn over his presidential papers to the Administrator of General Services. After discussing why Nixon "constituted a legitimate class of one," *see* supra, note 12, the Court went on to explain that, even if the specificity element were deemed to be satisfied, it would still have to inquire whether Congress " 'inflict[ed] punish-

ment' within the constitutional proscription." 433 U.S. at 472-73 (quoting *Lovett*, 328 U.S. at 315). After examining the historical underpinnings of the Clause and noting that the statute at issue did not involve any of the traditional examples of "punishment" which had been held to implicate attainder analysis in the past—including death, imprisonment, banishment, punitive confiscation of property, and employment bars (as evidenced by *Cummings*)—the Court launched into a three-stage examination of general punitive character. *See id.* at 473-75. First, the Court noted that it "often has looked beyond mere historical experience and has applied a functional test of the existence of punishment, analyzing whether the law under challenge, viewed in terms of the type and severity of burdens imposed, reasonably can be said to further nonpunitive legislative purposes." *See id.* at 475 (citing *Cummings*, 71 U.S. at 319-320, *Hawker*, 170 U.S. at 193-194, and *Dent*, 129 U.S. at 128, among other cases). Because the protection of Nixon's presidential papers was unquestionably a legitimate, nonpunitive legislative purpose that the burdens imposed by the statute were well designed to further, the Court concluded that the law was nonpunitive under the functional approach. *See id.* at 476-78. Next, the Court looked to legislative purpose. Because there was no indication in the legislative history of a specific intent to punish—unlike in past cases like *Lovett*, where the House Report characterized the named individuals as " 'subversive . . . and . . . unfit . . . to continue in Government employment' "—the Court concluded that this test also came out in favor of a nonpunitive finding. *See id.* at 478-80 (quoting *Lovett*, 328 U.S. at 312). Finally, the Court turned to the structure of the statutory provisions. Because it also evinced a nonpunitive quality to the legislation, by protecting, for example, Nixon's ability to access the papers himself and to raise claims of privilege with regard to them in court proceedings, the Court concluded that this test also indicated a nonpunitive character. *See id.* at

481-82. Because the statute did not "impose criminal penalties or other punishment," the Court concluded that it was not a bill of attainder, regardless of its specificity. *Id.* at 482 (quotations omitted).

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In the light of the 400 years of case law and history that we have considered, we believe that *Nixon* stands, ultimately and concisely, for the following proposition: if legislation has a legitimately nonpunitive function, purpose, and structure, it does not constitute punishment for purposes of the Bill of Attainder Clause, even where it imposes the historically punitive sanction of barring designated individuals from engaging in certain professions. This statement is consistent with the older, traditional lines of analysis in the Court's attainder jurisprudence, including particularly the prophylactic exception developed in *Cummings, Garland, Dent, Hawker,* and Justice Frankfurter's concurrence in *Lovett.* It is also not inconsistent with the more sweeping separation of powers theory espoused by Chief Justice Warren in his somewhat aberrant *Brown* opinion, at least to the extent that that case left open the possibility of using "shorthand" designations in otherwise proper categorical legislation. Although some portions of *Nixon* might be read to suggest that historical punishments are "inherently suspect," [26] we find this suggestion inapposite to the particular area of employment bars. As *Nixon* makes clear, this type of liability is only an "historical" punishment to the extent that certain examples have been declared punitive in past cases like *Cummings* and *Lovett. See Nixon,* 433 U.S. at 474.

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[26] *See id.*, 433 U.S. at 473 (noting that "the substantial experience of both England and the United States with such abuses of parliamentary and legislative power offers a ready checklist of deprivations and disabilities so disproportionately severe and so inappropriate to nonpunitive ends that they unquestionably have been held to fall within the proscription of Art. I, § 9" and that "[a] statutory enactment that imposes any of those sanctions on named or identifiable individuals would be immediately constitutionally suspect").

Because these building blocks for the historical characterization themselves contain the very seeds of the prophylactic exception, and because *Nixon*'s "functional test" is rooted in that very exception as developed in the employment bar cases of *Hawker, Dent,* and *Cummings, see Nixon,* 433 U.S. at 475, it simply cannot be convincingly maintained that employment bars are inherently historically punitive without reference to *Nixon*'s other considerations.

More importantly, however, such a reading would contradict the Supreme Court's own most recent recapitulation of the punishment prong. In *Selective Service,* the Court stated that:

> In deciding whether a statute inflicts forbidden punishment, we have recognized three necessary inquiries: (1) whether the challenged statute falls within the historical meaning of legislative punishment; (2) whether the statute, "viewed in terms of the type and severity of burdens imposed, reasonably can be said to further nonpunitive legislative purposes"; and (3) whether the legislative record "evinces a congressional intent to punish."

468 U.S. at 852 (quoting *Nixon,* 433 U.S. at 473, 475-76, & 478, respectively). Nothing in *Selective Service* suggests that the historical punishment test is ever dispositive on its own, or that it should be conducted without reference to the actual history underlying the sanction at issue, and we decline to read such a ritualistic and unsensible formulation into the Clause. *See also BellSouth,* 144 F.3d at 65 (stating that "[e]ven measures historically associated with punishment—such as permanent exclusion from an occupation—have been otherwise regarded when the nonpunitive aims of an apparently prophylactic measure have seemed sufficiently clear and convincing") (internal quotations omitted); *Dehainaut,* 32 F.3d at 1071 (stating that, "[e]ven where a fixed identifiable group . . . is singled out and a burden traditionally associated with

punishment—such as permanent exclusion from an occupation—is imposed, the enactment may pass scrutiny under bill of attainder analysis if it seeks to achieve legitimate and nonpunitive ends and was not clearly the product of punitive intent").

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Adapting the *Selective Service* formulation to this case in the light of our inquiries, the question becomes whether the Special Provisions, viewed in terms of the type and severity of burdens imposed and the expressed intent of Congress, reasonably can be said to further nonpunitive legislative purposes such that the sanction at issue, a bar from participation in certain businesses, is neither historically nor functionally nor motivationally punitive. We can only conclude that they can, and therefore find that the Special Provisions are constitutionally sound.

First and perhaps foremost, we think that the Special Provisions are not punitive because they do not impose a perpetual bar on the BOCs' entry into any of life's avocations. In *Cummings, Garland,* and *Lovett,* the burdened individuals were barred from all future employment in certain professions based on immutable past acts. Under the Special Provisions, on the other hand, the BOCs will be allowed to enter each of the affected areas as soon as the statutory criteria regarding competition in their local service markets are met, and, in the case of information services, in 2001 regardless. As the Supreme Court expressly stated in *Selective Service,* "[a] statute that leaves open perpetually the possibility of [qualifying for some specifically denied benefit] does not fall within the historical meaning of forbidden legislative punishment." 468 U.S. at 853.[27]

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[27] We recognize that meeting the competition criteria may not be an easy matter for the BOCs. Still, nothing in the statute or SBC's recent experiences with the FCC and the D.C. Circuit leads us to suspect that it will be impossible, and we are satisfied that the BOCs will be able to emerge from the restrictions when it is in their economic and business interest to meet the stiff criteria.

Second, we conclude that the Special Provisions are not punishment because they serve a nonpunitive purpose: attempting to ensure fair competition in the markets for local service, long distance, telecommunications equipment, and information services. Indeed, even under the MFJ, we do not understand that the line-of-business restrictions imposed on the BOCs were intended to have a punitive function. As Judge Greene stated, the restrictions were imposed because "[p]articipation in these fields carries with it a substantial risk that the Operating Companies will use the same anticompetitive techniques used by AT&T in order to thwart the growth of their own competitors." *United States v. AT&T*, 552 F.Supp. at 224. This rationale seems much more like a judgment "condemning all men" in certain inherently conflicted positions than an impermissible "judgment censuring or condemning any man or group of men" for their personal conduct, *see Brown*, 381 U.S. at 453-54, so to the extent that Congress was merely reimposing the MFJ, it did not engage in action derivatively punitive. Furthermore, the actual terms of the Special Provisions stay close to their legitimate ends. By clearly linking a lifting of the long distance and telecommunications equipment restrictions to competition in the BOCs' local markets, and by making the structural separation condition for entry into the nascent and vulnerable information services market temporary, Congress has tailored the burdens imposed to an appropriate end of promoting competition. Finally, and although SBC has argued fervently to the contrary, the mere fact that the Special Provisions are limited in application to the BOCs (and thus do not cover other LECs with substantial local market power, like GTE) does not cast substantial doubt on the fit of this tailoring. As the D.C. Circuit has expressly recognized, "[b]ecause the BOCs' facilities are generally less dispersed than GTE's, they can exercise bottleneck control over both ends of a [long distance] telephone call in a higher fraction of cases than GTE" (or any of the other LECs, for that matter),

and it is thus rational to subject them to additional burdens in order to achieve the overall goal of competitive local and long distance service. *BellSouth*, 144 F.3d at 67.

Third, we reason that the Special Provisions are not punitive because neither their terms nor their legislative history demonstrates the "smoking gun" evidence of punitive intent necessary to establish a bill of attainder. As the Supreme Court clarified in *Selective Service*, " 'unmistakable evidence of punitive intent . . . is required before a Congressional enactment of this kind may be struck down' " on attainder grounds. *Id.*, 468 U.S. at 856 n.15 (quoting *Flemming*, 363 U.S. at 619); *cf. Lovett*, 328 U.S. at 315 (for an example of such evidence). To be sure, there were some isolated references in congressional debate to the Bell System's questionable business practices prior to the MFJ, which were offered as evidence of the general potential for abuse of local market power. But, still, SBC has pointed us towards no indication that the Special Provisions were themselves enacted to punish the BOCs for past antitrust violations. Instead, the legislative record is really quite clear that Congress—certainly as a whole—considered the Special Provisions to be just what they appeared to be: a prophylactic, compromise regulation of the BOCs' local market power to ensure greater competition in all of the nation's telecommunications markets.

Finally, and perhaps most fundamentally, we conclude that the Special Provisions are not punitive because they were part of a larger quid pro quo. Combined with § 601(a)(1), the Special Provisions represent a hard-fought compromise on a massive issue of public policy which, in the end, contained both good and bad elements for the BOCs.[28] For example, although the information

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[28] *See SBC Communications*, 138 F.3d at 412:

> The question of how best to achieve [the goals of the Act] . . . was the subject of great debate. Some thought that the local and long-distance markets should be open to all competitors immediately. Others believed that the BOCs should have

services restriction lifted under the MFJ was partially reimposed under § 274, the BOCs were immediately freed, by operation of § 601(a)(1) and the other Special Provisions, from existing MFJ restrictions on their ability to offer incidental and out-of-region long distance service. More importantly, the Special Provisions gave the BOCs a clear delineation of what they needed to do to achieve a lifting of all the old MFJ restrictions in the future—certainly a step up, from the BOCs' perspective, from being under Judge Greene's perpetual supervision. It is perhaps for this reason that the BOCs have apparently consistently represented, outside of litigation, that they were pleased with the Act. Indeed, in a public news release, SBC's Chairman lauded the Act as "landmark legislation" that would allow SBC "immediately [to] provide long-distance service outside [its] . . . region and to [its] cellular customers everywhere," and that created "clear and reasonable pathways" for SBC to obtain permission to provide in-region long distance service in the future—"pathways that [SBC was] happy with." The other BOCs made similar comments, and they clearly were effective in persuading Congress of their support for the Act. *See* 142 Cong. Rec. S393 (daily ed. Jan. 26, 1996) (remarks of Sen. Pressler) ("We now have the regional Bell companies supporting the bill and we have the long-distance companies supporting the bill. That is an unusual, rare moment in American history when the regional Bells and long-distance companies are temporarily at peace, so to speak."); *id.* at S696 (daily ed. Feb. 1, 1996) (statement of Sen. Kerrey) (noting that the Act was "a very unusual piece of legislation in that the demand for it [wa]s coming from . . . the whole range of corporations; . . . RBOC's, long-distance, cable, broad-

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to wait until actual competition was introduced in their local markets before providing interLATA service, since it was claimed that the long-distance market is already competitive. As might be expected for an issue of this economic significance, an extended lobbying struggle ensued. The end product was a compromise between the competing factions.

cast; all of them"); *id.* at S699 (daily ed. Feb. 1, 1996) (statement of Sen. Lott) ("The telephone companies are supporting this legislation. The long-distance companies are supporting this legislation—both of them would like to have a little more in their sections, but basically they know this is good legislation . . . ."). Be that as it may, it is at any rate clear that a legislative quid pro quo on this level simply cannot be punitive for attainder purposes.

For all of the foregoing reasons, we find that the Special Provisions ultimately are nonpunitive as an historical, functional, and motivational matter. They are therefore not an unconstitutional and odious bill of attainder as that term has been defined by the Supreme Court. To the extent that the district court concluded otherwise, it was in error, and its decision on that point is accordingly reversed.

B

As noted above, however, SBC and the other appellees also urge three additional constitutional arguments as alternate bases for affirming the judgment of the district court. Having found the Special Provisions not to constitute a bill of attainder, we must obviously consider these alternate theories. We do so only briefly, however, as they are far less substantial.

1

The appellees first make two interrelated arguments that the Special Provisions violate the constitutional requirement of separation of powers—i.e., that the Special Provisions represent an arrogation to the legislative branch of powers functionally vested in the judicial branch by the very firmament of the Constitution. *See generally Plaut,* 514 U.S. at 218-25 (noting, among other things, that "[t]he Framers of our Constitution lived among the ruins of a system of intermingled legislative and judicial powers" and felt a "sense of a sharp necessity to separate

the legislative from the judicial" in designing their new system). Despite their strong institutional pedigree, neither argument has significant merit.

First, the appellees contend that the Special Provisions violate separation of powers because they address themselves to a particular judicial consent decree—the MFJ—in such a way as to alter the result. They rely on the well accepted rule that it violates separation-of-powers principles for Congress to reopen any adjudication that represents the "final word of the judicial department" on a case. *See Plaut*, 514 U.S. at 225-27. Yet under *Pennsylvania v. Wheeling and Belmont Bridge Co.*, 59 U.S. (18 How.) 421 (1855), it has long been clear that Congress may change the law underlying ongoing *equitable* relief, even if, as in *Wheeling* itself, the change is specifically targeted at and limited in applicability to a particular injunction, and even if the change results in the necessary lifting of that injunction. *See id.* at 429. The only real question on this point would seem to be whether *Wheeling* survives the Court's more recent separation of powers jurisprudence, as recently recited in *Plaut*. In that case, however, Justice Scalia could hardly have been more clear that "nothing in our holding today calls [*Wheeling*] into question." *Id.*, 514 U.S. at 232.

Obviously, *Wheeling* survives, as all of the circuit courts to consider separation-of-powers challenges to the Prison Litigation Reform Act of 1995 recently concluded. In those cases the courts dealt with a statute, 18 U.S.C. § 3626(b)(2), that mandated the termination of certain existing consent decrees if they were not based upon a newly announced standard of factual findings. In upholding this provision in the face of a separation-of-powers attack, five courts held that Congress could interfere with ongoing consent decrees, because such decrees were not "final judgments" for separation-of-powers purposes.[29] In-

[29] *See Dougan v. Singletary*, 129 F.3d 1424, 1426 (11th Cir. 1997) (per curiam) ("As the Court explained in *Plaut v. Spend-*

deed, even the one court to strike down § 3626(b)(2) was forced to concede that "*Wheeling* established the principle that the state of the law at the time a final judgment embodying a permanent injunction is entered is not part of what is 'final' about the judgment." *Taylor v. United States*, 143 F.3d 1178, 1182 (9th Cir. 1998) (Ristani, J.).

Despite this great weight of authority, the appellees counter that the congressional interference in this case is more suspect, because it is so specific. Yet, as noted, the legislation in *Wheeling* was rife with specificity: the change effected by Congress was specifically directed at

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thrift Farm, Inc., a true 'final judgment' here means not an appealable judgment, but one that represents the 'last word of the judicial department with regard to a particular case or controversy.' Consent decrees are final judgments, but not the 'last word of the judicial department.' "); *Inmates of Suffolk County Jail v. Rouse*, 129 F.3d 649, 657 (1st Cir. 1997) (Selya, J.) ("*Plaut* and *Wheeling Bridge*, read together, teach that equity requires, and the separation of powers principle permits, legislatures to direct that courts respond to changes in substantive law by revisiting forward-looking injunctions."); *Benjamin v. Jacobsen*, 124 F.3d 162, 171 (2d Cir. 1997) (Calabresi, J.) ("In distinguishing *Wheeling Bridge*, the *Plaut* Court implicitly drew a similar distinction between two kinds of final judgments for separation of powers purposes—final judgments without prospective effects, which could not be constitutionally revised through legislation, and final judgments with prospective effects, whose effects could be constitutionally so revised."); *Gavin v. Brandstad*, 122 F.3d 1081, 1087 (8th Cir. 1997) (Bowman, J.) ("*Plaut* does not hold that final judgments are invariably immune to congressional tinkering; what *Plaut* protects is 'the last word of the judicial department with regard to a particular case or controversy.' In a continuing case, a consent decree is not the last word of the courts in the case, even after the decree itself has become final for purposes of appeal."); *Plyler v. Moore*, 100 F.3d 365, 371 (4th Cir. 1996) (Wilkins, J.) ("[A]s made clear by the Court in *Plaut*, an attempt to alter legislatively a legal judgment violates the separation-of-powers doctrine. A judgment providing for injunctive relief, however, remains subject to changes in the law. These principles apply equally to consent decrees and litigated judgments.") (citations to *Wheeling* and other cases omitted).

altering the legal status of a single, named bridge in order to change the result of a particular injunction. *See id.*, 59 U.S. at 429. Specificity was also manifestly evident in the more recent related case of *Robertson v. Seattle Audubon Society*, 503 U.S. 429, 434-35, 437-40 (1992), where Justice Thomas, writing for a unanimous Court, found no separation-of-powers problem in a statute that changed the law with respect to two pending lawsuits identified by name and caption number. In the light of all these precedents, we simply cannot see a separation-of-powers problem based on the Special Provisions' interference with the MFJ in this case.

That leaves the second line of attack, which, as we understand it, is a not-too-well-defined argument that all of the problematic aspects of the Special Provisions—including particularly their specificity, their interference with the MFJ, and the near-punitive nature of the liability they impose—when added together somehow amount to a separation-of-powers violation that is greater than the sum of its parts. Although this argument finds appealing rhetorical support in the more sweeping statements of some of the Court's older cases, including particularly the admonition offered by Justice Marshall in *Fletcher* and seconded by Chief Justice Warren in *Brown* that "[i]t is the peculiar province of the legislature to describe general rules for the government of society; the application of those rules to individuals in society would seem to be the duty of other departments," *see Brown*, 381 U.S. at 446, it is squarely and specifically contradicted by *Plaut*. In that case, Justice Breyer raised a very similar argument in his one-vote concurrence. *See id.*, 514 U.S. at 241-46. Justice Scalia's six-vote majority opinion soundly rejected it, however, noting (in addition to the above-quoted statement from footnote nine) that:

> The nub of th[e] infringement consists not of the Legislature's acting in a particularized and hence according to the concurrence) nonlegislative fashion;

> but rather of the Legislature's nullifying prior, authoritative judicial action. It makes no difference whatever to that separation-of-powers violation that it is in gross rather than particularized . . . or that it is not accompanied by an "almost" violation of the Bill of Attainder Clause, or an "almost" violation of any other constitutional provision.

See id. at 239 & n.9. In the light of *Plaut*, there is thus no viability to the "amorphous" theory either, and the appellees' separation-of-powers challenge in this case must fail.

2

The appellees next argue that the Special Provisions violate the Equal Protection Clause by discriminating against the BOCs by name. Under *City of New Orleans v. Dukes*, 427 U.S. 297 (1976), however, specification of named parties in economic regulation is clearly permissible for equal protection purposes so long as the regulation is rationally related to a legitimate governmental interest and does not trammel fundamental personal rights or draw upon inherently suspect distinctions such as race, religion, or alienage. *Id.* at 304-06. As should be manifest from the entire history of this area of the law, regulation of an LEC's conduct in the local telephone service market neither restricts fundamental individual rights nor lacks rational relation to the government's legitimate interest in ensuring greater competition in all telecommunications markets. Furthermore, the specification of the BOCs in the Special Provisions at issue here was not based on invidious criteria like race, religion, or alienage. As such, the Special Provisions are not inconsistent with the Equal Protecton Clause.

3

Finally, the appellees urge that, even if the other Special Provisions are allowed to stand, § 274 must go as it impermissibly infringes the BOC's right to free speech. The D.C. Circuit recently rejected an identical challenge

to § 274 by another RBOC, however, *see BellSouth*, 143 F.3d at 67-71, and we can find no reason to disagree with its result and analysis. Because § 274 does not in any way differentiate speech on the basis of content, its speech restricting provisions are subject only to (at most) intermediate scrutiny review under *Turner Broadcasting System, Inc. v. FCC*, 512 U.S. 622, 642 (1994) (*Turner I*). Under that standard, a restriction will be upheld "if it advances important governmental interests unrelated to the suppression of free speech and does not burden substantially more speech than necessary to further those interests." *Turner Broadcasting System, Inc. v. FCC*, 117 S.Ct. 1174, 1186 (1997) (*Turner II*). Obviously, the competition-enhancing interests discussed above are manifestly sufficient to meet the first hurdle. Furthermore, because § 274 merely imposes a structural separation requirement on speech activities, not an absolute bar, its restrictions are practically de minimis in this necessarily corporate context, and certainly do not burden substantially more speech than necessary to accomplish its legitimate goals. For these reasons, the contention that § 274 violates the BOCs' right to free speech is entirely lacking in merit.

V

In the end, the constitutional prohibition against bills of attainder is a specific rather than a general guaranty of rights. *Cf. Lovett*, 328 U.S. at 321 (Frankfurter, J., joined by Reed, J., concurring [in the judgment]). Nothing in the Court's jurisprudence should be read to allow that specific guaranty wholly to escape the implications of its historical origins, and since the age of Blackstone and before, it has been clear that for a bill to attaint, it simply must invoke the punitive. In this case, that has not occurred. Although the Special Provisions may well constitute a legislative judgment that the BOCs currently have an inherent and natural potential to restrain competition by virtue of their local market power, the Act does not declare them monsters or otherwise seek to pun-

ish them on the basis of past conduct, and thus does not run afoul of the Bill of Attainder Clause. Because the Constitution's additional requirements of separation of powers, equal protection of the laws, and free speech are also not even arguably infringed by the Act, the judgment of the district court is accordingly REVERSED.[30]

JERRY E. SMITH, Circuit Judge, dissenting:

En route to minting a "regulatory exception" to the Bill of Attainder Clause, the majority holds that punishment is not punishment when it is inflicted with a "prophylactic" intent. The majority reaches this cherished goal by stitching together a patchwork of concurrences and dissents and by brushing aside binding Supreme Court majority opinions as "aberrant" and "unsensible." I respectfully dissent.

I.

The Telecommunications Act of 1996 singles out twenty named corporations for severe line-of-business restrictions

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[30] We are unable to see this case in the single-minded terms expressed in the dissenting opinion. We have faithfully, to the best of our ability, recounted the sinuous journey of bills of attainder from the earliest days to the present day. Like a Christmas pie, these cases—as a whole and indeed individually—provide a little something for every taste, and are rich with selective quotes to support a chosen conclusion. In arriving at our conclusions, we have tried to synthesize these diverse expressions and applications of the bill of attainder clause in order to apply it in this context of business regulation—its first such application. What we think the dissenting opinion has not observed in its straightforward stride is that attainder requires an element of punishment. There are employment bars and there are employment bars—some of the same character, others of a different character. A non-perpetual legislative bar, which forbids only a corporation's participating in a particular segment of the general business in which the corporation is engaged is not punishment when that bar is enacted for non-punitive appropriate legislative purposes under conditions to which that business effectively has agreed. Indeed, we are not sure the dissent is otherwise convinced given its acknowledgment that there is no real "victim" of Congress in this case.

characterized, in the Act's telling language, as the "Special Provisions." This case hinges on whether these economic restrictions, which bar the named firms from lucrative telecommunications markets, amount to legislative "punishment" as historically understood.

A.

The Supreme Court has consistently held that bars to employment constitute punishment for purposes of the Bill of Attainder Clause. In one of the earliest bill of attainder cases, *Cummings v. Missouri*, 71 U.S. (4 Wall.) 277, 320 (1866), the Court observed that "[d]isqualification from the pursuits of a lawful avocation . . . may also, and often has been, imposed as punishment." The Court struck down, as a bill of attainder, a provision in the Missouri Constitution prohibiting Confederates or their sympathizers from holding certain jobs. The Court recognized that "in the pursuit of happiness all avocations, all honors, all positions, are alike open to every one, and that in the protection of these rights all are equal before the law. Any deprivation or suspension of any of these rights for past conduct is punishment, *and can be in no otherwise defined*." *Id.* at 321-22 (emphasis added).

The law has not changed. In *Ex parte Garland*, 71 U.S. (4 Wall.) 333 (1866), the Court applied *Cummings*'s reasoning to strike down, as a bill of attainder, a federal statute barring Confederates from practicing in the federal courts. More recently, in *United States v. Lovett*, 328 U.S. 303 (1946), the Court reaffirmed the principle that line-of-work restrictions are inherently punitive, invalidating a federal statute terminating the salaries of three named federal employees. And in *United States v. Brown*, 381 U.S. 437 (1965), the Court once again held that a statute proscribing entry into a certain line of work constituted punishment, striking down a federal statute that forbade members of the Communist Party from serving as labor union officials.

Any doubt that employment bars fall squarely within the historical conception of punishment was erased by the Court's two most recent bill of attainder cases. In *Nixon v. Administrator of Gen. Servs.*, 433 U.S. 425, 474 (1977), the Court canvassed the various burdens historically deemed punitive, concluding that "[o]ur country's own experience with bills of attainder resulted in the addition of another sanction to the list of impermissible legislative punishments: a legislative enactment barring designated individuals or groups from participation in specified employments or vocations . . . ."

The Court's latest pronouncement, in *Selective Serv. Sys. v. Minnesota PIRG*, 468 U.S. 841 (1984), echoes *Nixon*: "In our own country, the list of punishments forbidden by the Bill of Attainder Clause has expanded to include legislative bars to participation by individuals or groups in specific employments or professions." 468 U.S. at 852. Indeed, employment bars "have constituted the most common sort of statutes struck down by the Court as unconstitutional bills of attainder." *BellSouth Corp. v. FCC*, 144 F.3d 58, 72-73 (D.C. Cir. 1998) (Sentelle, J., dissenting) (citing *Selective Service*, 468 U.S. at 852).

The majority's ancillary argument that "the Special Provisions are not punitive because they do not impose a perpetual bar" is meritless. The majority quotes *Selective Service*, 468 U.S. at 853, which states that "[a] statute that leaves open perpetually the possibility of [qualifying for some specifically denied benefit] does not fall within the historical meaning of forbidden legislative punishment" (brackets added by majority). But in *Brown*, the Court had already considered and rejected the majority's escapability argument, explaining:

> We do not read [two prior cases] to have set up inescapability as an absolute prerequisite to a finding of attainder. Such an absolute rule would have

> flown in the face of explicit precedent, *Cummings v. Missouri,* 4 Wall. 277, 324, as well as the historical background of the constitutional prohibition. A number of ante-Constitution bills of attainder inflicted their deprivations upon named or described persons or groups, but offered them the option of avoiding the deprivations, e.g., by swearing allegiance to the existing government.

381 U.S. at 457 n.32. This illustrates that the Bill of Attainder Clause cannot be avoided simply by inserting into the statute a means of escape. The fact that the federal government holds the key to the Baby Bells' prison is irrelevant.

B.

Faced with the unhappy reality of well over a century of Supreme Court cases holding that employment bars constitute punishment, the majority announces the discovery of a heretofore unrecognized exception to the Bill of Attainder Clause: the "prophylactic exception." Apparently this creature awakens only in cases such as this—when Congress punishes, but acts with a beneficent, regulatory intent.

The method through which the majority traces the evolution of the "prophylactic exception" reveals its suspect pedigree. The exception's origin is said to lie in Justice Miller's dissent in *Garland,* where he suggested that the employment bar at issue was not punitive because Congress did not intend it as such. Rather, Justice Miller argued, the statute should properly be viewed as a prophylactic measure, because Congress merely sought to protect the public from the *future* misdeeds of the attainted individuals. *See* 71 U.S. (4 Wall.) at 393-96 (Miller, J., dissenting).

This theory, rejected by the *Garland* majority, was purportedly adopted some decades later in *Dent v. West Virginia,* 129 U.S. 114 (1889), and *Hawker v. New York,*

170 U.S. 189 (1898). Unlike most of the authorities the majority relies on to support the prophylactic exception, *Dent* and *Hawker* are *majority* opinions. But they have little to say about this case: The statute at issue in *Dent* did not single out individuals for punishment, but concerned a state's generally applicable licensing requirements; similarly, the burden in *Hawker* was imposed on a class rather than named individuals. In any event, no subsequent case has interpreted *Dent* and *Hawker* the way the majority does here—as authorizing congressional punishment of individuals as long as the statute can be said to prevent future harms.

The cornerstone of the majority's theory is Justice Frankfurter's concurrence in *Lovett*, 328 U.S. at 318. Although Justice Frankfurter distinguished between "harm [that is] inflicted by government authority" and "punishment," *id.* at 324 (Frankfurter, J., concurring), the majority of the Court refused to embrace this view. *Cf. Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 66 (1996) (holding that a minority opinion is "of questionable precedential value, largely because a majority of the Court expressly disagreed with the rationale of the plurality"). Rather than adopt Justice Frankfurter's narrow reading of the Bill of Attainder Clause, the Court majority held that the challenged law, which terminated the salaries of three named federal employees, " 'operates as a legislative decree of perpetual exclusion' from a chosen vocation" and therefore "clearly accomplishes the punishment of named individuals without a judicial trial." *Lovett*, 328 U.S. at 316 (quoting *Garland*, 71 U.S. (4 Wall.) at 377). The majority quite plainly equated employment bars with punishment.

Finally, *Brown* and *Nixon* foreclose any suggestion that the full Court subsequently adopted Justice Frankfurter's minority view. *Brown*, which the panel majority cryptically claims "did not purport fully to abandon the prior

development of the punitive element," concluded that the employment restriction at issue—barring members of the Communist Party from holding certain jobs—amounted to punishment. The Court surveyed its bill of attainder jurisprudence and, relying on *Garland* and *Lovett*, held that the statute "plainly constitutes a bill of attainder" because "it designates in no uncertain terms the persons who possess the feared characteristics and therefore cannot hold union office . . . ." 381 U.S. at 449, 450.

Nixon is even more direct. There, the Court explained that "legislative enactment[s] barring designated individuals or groups from participation in specified employments or vocations" are "impermissible" and "unquestionably have been held to fall within the proscription of Art. I, § 9." 433 U.S. at 473, 474. This stark language leaves little room for the majority's "prophylactic exception": Impermissible is impermissible. Once a court determines that Congress has imposed a burden historically deemed punitive, such as the employment bar at issue here, that is the end of the analysis. The majority protests that such a reading of *Nixon* is "ritualistic and unsensible," but it is difficult to squeeze a prophylactic exception out of the Court's statement that "[a] statutory enactment that imposes [an employment bar] on named or identifiable individuals would be *immediately constitutionally suspect*." *Id.* at 473 (emphasis added).

Moreover, to the extent the Court considered congressional purpose in passing the law, it did so only after it had determined that the challenged burden did not fit the historical definition of punishment; its consideration of legislative intent was a means of ensuring that "new burdens and deprivations [are not] legislatively fashioned that are inconsistent with the bill of attainder guarantee." *Id.* at 475.

The Court began its analysis by asking whether the burden—the confiscation of presidential records—fell into

the category of "immediately suspect" punishments, such as a bar to employment. After concluding that President Nixon "cannot claim to have suffered any of these forbidden deprivations at the hands of Congress," the Court remarked that "our inquiry is not ended by the determination that the [statute] imposes no punishment traditionally judged to be prohibited by the Bill of Attainder Clause." *Id.* at 475. *Only then* did the Court turn to legislative purpose—an inquiry that would not have been necessary if President Nixon *had* suffered one of the "forbidden" deprivations.

The *Selective Service* Court clarified this point. It explained:

> Our inquiry does not end with a determination that [the statute] does not inflict punishment in its historical sense. To ensure that the Legislature has not created an impermissible penalty not previously held to be within the proscription against bills of attainder, we must determine whether the challenged statute can be reasonably said to further nonpunitive goals.

468 U.S. at 853-54 (citing *Nixon*, 433 U.S. at 475-76).

The majority's reading of these cases is sadly ironic. In both *Nixon* and *Selective Service*, the Court sought to *expand* the protections of the Bill of Attainder Clause by looking to legislative purpose. The Court's concern was congressional creativity in dreaming up new burdens that fell outside the category of burdens historically deemed punitive; by considering legislative intent, the Court erected an *additional* safeguard to protect individuals from new types of congressionally-devised punishment.

The majority's interpretation, by contrast, *contracts* the scope of the clause. The majority looks to legislative intent not to protect citizens from congressional overreaching, but as a means of empowering Congress to pass punitive laws it could not otherwise enact—simply by claiming an intent to "regulate" rather than punish.

Thanks to the prophylactic exception, Congress may now single out individuals for punishments that were, until today, routinely held unconstitutional.

C.

In deeming nonpunitive a burden that the *Nixon* Court characterized as "unquestionably" punitive, 433 U.S. at 473, the majority reasons that punishment is not really punishment if it is inflicted for preventive purposes. The majority concludes that "[a]lthough the Special Provisions may well constitute a legislative judgment that the BOCs currently have an inherent and natural potential to restrain competition by virtue of their local market power, the Act does not declare them monsters or otherwise seek to punish them on the basis of past conduct, and thus does not run afoul of the Bill of Attainder Clause." The majority distinguishes between retribution (the imposition of a burden for wrongful past conduct) and prevention (the imposition of a burden to reduce the likelihood of future harms—here, antitrust violations).

This distinction is flatly contradicted by *Brown*, which rejects such a cramped view of punishment and undermines the majority's novel interpretation of the clause. In holding that an employment bar constituted punishment, even when imposed for prophylactic purposes, the Court explained:

> It would be archaic to limit the definition of "punishment" to "retribution." Punishment serves several purposes: retributive, rehabilitative, deterrent —and preventive. One of the reasons society imprisons those convicted of crimes is to keep them from inflicting future harm, but that does not make imprisonment any the less punishment.
>
> Historical considerations by no means compel restriction of the bill of attainder ban to instances of retribution. A number of English bills of attainder were enacted for preventive purposes—that is, the

> legislature made a judgment, undoubtedly based largely on past acts and associations . . . that a given person or group was likely to cause trouble (usually, overthrow the government) and therefore inflicted deprivations upon that person or group in order to keep it from bringing about the feared event.

381 U.S. at 458-59.

Consider a statute that sentences to death a named individual who announces that he has criminal tendencies —but has yet to commit a crime. Under the majority's theory, this law is not a bill of attainder: It does not "seek to punish on the basis of past conduct," and it serves a legitimate prophylactic function. This hypothetical illustrates the impossibility of confining the clause's protections to retributive measures. As the Court explained, a burden is rendered no less punitive by being based on future, rather than past, wrongdoing.

In fact, the majority's concession that "the Act may well constitute a legislative judgment that the BOCs currently have an inherent and natural potential to restrain competition" falls squarely within the Court's description of a bill of attainder: when "the legislature [makes] a judgment . . . that a given person or group [is] likely to cause trouble . . . and therefore [inflicts] deprivations upon that person or group in order to keep it from bringing about the feared event." *Id.* at 458-59. Here, Congress made a legislative judgment that the BOC's were likely to cause trouble—they were likely to commit antitrust violations—and inflicted deprivations (severe line-of-business restrictions) in order to keep the Baby Bells from bringing about the feared event. Accordingly, under a straightforward application of *Brown*, the "prophylactic exception" is a chimera, and the Special Provisions are a bill of attainder.

D.

In sum, the unbroken line of Supreme Court precedent compels the conclusion that the Special Provisions, because they impose an employment bar, constitute historical punishment forbidden by the Bill of Attainder Clause. The Court has never held that Congress can single out named individuals for burdens historically deemed punitive simply because legislators are animated by a well-meaning, regulatory spirit. Yet that is precisely what the majority holds today, sidestepping the *Nixon* Court's statement, 433 U.S. at 473, that this type of law is "immediately constitutionally suspect."

II.

The Bill of Attainder Clause has long been regarded as protecting unpopular individuals or groups from trial-by-legislature. As the Court explained in *South Carolina v. Katzenbach*, 383 U.S. 301, 324 (1966), the clause protects those "who are peculiarly vulnerable to nonjudicial determinations of guilt." A quick survey of the case-law confirms this view: The clause has been invoked to rescue Confederates and Communists from congressional wrath.

And that is what makes the Bill of Attainder analysis so unusual in this context: The Baby Bells, represented by armies of lawyers and lobbyists, hardly fit anyone's notion of a helpless victim. Moreover, there is evidence in the record that the Baby Bells, by their own account, *prevailed* in the legislative process. While their apparent consent to the Special Provisions does not estop them from challenging the restrictions in this court, it certainly undercuts their claim to victimhood. As the majority notes, the Special Provisions were part of a larger *quid pro quo*.

But the Bill of Attainder Clause serves a dual purpose: Not only does it rescue individuals from trial-by-legislature, it also preserves the separation of powers. The

clause is a check on Congress's power to legislate; it forbids Congress from passing punitive laws that target individuals. Congress may, of course, pass laws conferring *benefits* on individuals, *see Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 239 n.9 (1995), but when it wishes to impose punishment, it must legislate in general terms and allow the judicial branch to decide which individuals have violated the laws and must be punished.

The Court explained the clause's role in preserving the separation of powers most thoroughly in *Brown*—an opinion the panel majority tars as "somewhat aberrant." The Court began its discussion by reviewing the history of the clause, describing it as a barrier "to ensure that the legislature would not overstep the bounds of its authority and perform the functions of the other departments." 381 U.S. at 444 (emphasis omitted). It then stated precisely why the statute, which imposed an employment bar on members of the Communist Party, violated the clause:

> In [enacting the statute] Congress has exceeded the authority granted it by the Constitution. The statute does not set forth a generally applicable rule decreeing that any person who commits certain acts or possesses certain characteristics (acts and characteristics which, in Congress' view, make them likely to initiate political strikes) shall not hold union office, and leave to courts and juries the job of deciding what persons have committed the specified acts or possess the specified characteristics. Instead, it designates in no uncertain terms the persons who possess the feared characteristics . . . .

Id. at 450.

The Court noted that Congress was free to pass laws weeding subversives out of the labor movement—only it had to do so through generally applicable legislation, otherwise it overstepped its constitutional bounds. In language directly applicable to the instant case, the Court

explained that Congress "cannot specify the people upon whom the sanction it prescribes is to be levied. Under our Constitution, Congress possesses full legislative authority, but the task of adjudication must be left to other tribunals." *Id.* at 461.

Brown stands for the idea that the Bill of Attainder Clause protects not only individual liberty, but also the other branches of government. The clause, in other words, helps ensure that Congress does not encroach on the executive's or judiciary's turf. As the Court concluded, *id.* at 442, "the Bill of Attainder Clause was intended not as a narrow, technical (and therefore soon to be outmoded) prohibition, but rather as an implementation of the separation of powers, a general safeguard against legislative exercise of the judicial function."

This is hardly a novel, twentieth-century interpretation. In one of the earliest bill-of-attainder cases, *Fletcher v. Peck*, 10 U.S. (6 Cranch) 87, 136 (1810), Chief Justice Marshall explained that "[i]t is the peculiar province of the legislature, to prescribe general rules for the government of society; the application of those rules to individuals in society would seem to be the duty of other departments." In fact, this understanding predates even the Marshall Court:

> Writings contemporary with the drafting of the Constitution express great concern lest the legislature assume the power to implement the total policy of government without the participation of the other branches, and support the thesis that the bill of attainder clause should be viewed as a limitation on legislatures fully as broad, and as necessary to the effective separation of powers, as that which has been imposed upon courts by article III.

Note, *The Bounds of Legislative Specification: A Suggested Approach to the Bill of Attainder Clause*, 72 Yale L.J. 330, 343 (1962) (cited with approval in *Brown*, 381 U.S. at 457 n.32). In this sense, even if the BOC's

somehow "consented" to Congress's imposing the Special Provisions, that consent is as irrelevant as is a litigant's "consenting" to subject-matter jurisdiction. Congress simply lacks the power to legislate in this way.

In enacting the Special Provisions, Congress adjudicated. It not only specified the sanction but also identified the specific corporations upon whom the sanction was to be levied—not coincidentally, the same corporations involved in the prior AT&T litigation. The Bill of Attainder Clause says that when Congress wishes to impose certain burdens historically deemed punitive, it can do so only through laws of general applicability. The actual *application* of these laws to specific parties must be left to the other branches of government. Congress runs afoul of the Bill of Attainder Clause when it enacts punitive legislation that targets certain entities—even where, as here, the punishment comes cloaked in the mantle of prophylactic economic regulation.

III.

The majority today opens a loophole in the Bill of Attainder Clause, allowing Congress to pass legislation that historically has been held unconstitutional. In doing so, the majority redefines our traditional understanding of the clause's mandate: Congress cannot single out an individual and deprive him of his life, liberty, or freedom to work. Because the Telecommunications Act's "Special Provisions" amount to a bill of attainder, I respectfully dissent.

APPENDIX B

UNITED STATES DISTRICT COURT
N.D. TEXAS
WICHITA FALLS DIVISION

No. CIV. A. 7:97-CV-163-X

SBC COMMUNICATIONS, INC., *et al.*,
Plaintiffs,

U.S. WEST COMMUNICATIONS, INC.,
Plaintiff-Intervenor,

v.

FEDERAL COMMUNICATIONS COMMISSION, and
UNITED STATES OF AMERICA,
Defendants,

MCI TELECOMMUNICATIONS CORP., AT & T CORPORATION, ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES, COMPETITIVE TELECOMMUNICATIONS ASSOCIATION, NATIONAL CABLE TELEVISION ASSOCIATION, SPRINT COMMUNICATIONS CO. L.P., and TELECOMMUNICATIONS RESELLERS ASSOCIATION,
Defendant-Intervenors.

Dec. 31, 1997

MEMORANDUM OPINION
AND ORDER

KENDALL, District Judge.

This Court has been asked to decide the constitutionality of certain provisions of the Telecommunications Act of 1996 (the "Act"). Before the Court is plaintiffs'

Motion for Summary Judgment and defendants' Cross Motion for Summary Judgment. Plaintiffs[1] attack the constitutionality of Subtitle B of Title I of the Telecommunications Act of 1996, codified at 47 U.S.C. §§ 271, 272, 273, 274, and 275 and entitled "Part III—Special Provisions Concerning Bell Operating Companies," on the grounds that it is (a) a violation of principles of separation of powers, (b) a bill of attainder and (c) a violation of the equal protection clause. SBC also bases its constitutional challenge of § 274 on the First Amendment to the United States Constitution.

BACKGROUND

This case was initiated by eight Bell operating companies ("BOCs") so named and categorized because of their previous affiliation with American Telephone & Telegraph Company ("AT & T") prior to the court ordered break up of AT & T. The challenged statutes and this case have their genesis in the antitrust lawsuit brought by the United States against AT & T in 1974. This antitrust lawsuit was settled in 1982 when AT & T, an intervening defendant in this case, entered into a consent decree with the United States, the defendant here. A review of the history of that court action is appropriate.

In 1974, the Justice Department brought an antitrust lawsuit against AT & T alleging that AT & T had violated the Sherman Act by using its market power to bar entry into markets by other corporations. The lawsuit was settled through what became known as the Modified Final Judgment (the "MFJ"), which also became known as the AT & T Consent Decree. The AT & T Consent Decree required AT & T to divest itself of 24 BOCs by 1984.

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[1] Out of convenience and brevity, the Court will refer to all plaintiffs as "SBC" or "plaintiffs" including U.S. West Communications, Inc. Likewise the Court will refer to all defendants including the intervenors as "the FCC" or "defendants."

The AT & T Consent Decree imposed certain restrictions on the BOCs. For decades the BOCs were under the control of AT & T until the breakup wrought by the consent decree. In their territory what are now the BOCs often had state granted franchises to provide local exchange service. The consent decree maintained the monopoly status as to local exchange service, but barred certain activities that now make their way into the "Special Provisions" found in §§ 271-275. The 1996 Act, however, took away the state sanctioned monopoly protection for local exchange service, opened all local exchange carriers to competition, but by name singled out the BOCs so as to prevent them from engaging in long distance service, electronic publishing, and providing alarm services. In the consent decree, the BOCs were prohibited from providing telephone service between a point located inside a certain exchange area and any point outside that exchange area, which is referred to as inter local access and transport area or interLATA. The BOCs also were prohibited from providing information services, any non-telecommunications services, and from manufacturing telecommunications equipment. The prohibited information services included electronic publishing and alarm monitoring services. In 1991, the restrictions on information services were overturned and the BOCs were allowed to provide such services as electronic publishing and alarm monitoring.[2] The consent decree and its accompanying restrictions play a very important role in this case because they provide the foundation for the FCC's argument that the restrictions challenged by the plaintiffs do no more than replace the restrictions imposed by the AT & T Consent Decree. The relevancy, and imperfection, of the FCC's argument is revealed through further analysis of the parties' arguments and the challenged statutes.

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2 *United States v. Western Electric Co., Inc.*, 767 F.Supp. 308 (D.D.C.1991), *aff'd*, 993 F.2d 1572 (D.C.Cir.), *cert. denied*, 510 U.S. 984, 114 S.Ct. 487, 126 L.Ed.2d 438 (1993).

CHALLENGED PROVISIONS

On February 8, 1996, the President signed the Telecommunications Act of 1996 into law. Section 601(a)(1) of the Act expressly provided that the restrictions imposed by the AT & T Consent Decree would be replaced by the restrictions and obligations of the Act. The Act serves to open local exchanges to competition by imposing various obligations on local exchange carriers including the requirement that incumbent local exchange carriers assist competitors desiring to use their networks, and allow them to do so. Section 251(b) of the Act places numerous and onerous duties on all local exchange carriers designed to stimulate competition in and simplify entry into the local markets by the competitors of all local exchange carriers. Section 252 provides the guidelines for achieving certain of the duties imposed on the local exchange carriers by § 251.

Local telephone companies such as the plaintiffs are commonly referred to as local exchange carriers. Local exchange carriers provide various services including local telephone calls, short-haul calls, operator services, and advanced features such as call waiting, call forwarding and voice mail. Additionally, they provide exchange access services, which enable long distance carriers to use the local exchange carriers' facilities to originate and terminate long distance calls to end users.

Plaintiffs are not the only local exchange carriers. Hundreds of other local exchange carriers operate in the United States. GTE Corporation, Sprint Corporation, Frontier Corporation, Cincinnati Bell Telephone Company, and Southern New England Telephone Company are a few examples of significant sized local exchange carriers completely unaffiliated with the Bell operating companies.

The effect of the Telecommunications Act of 1996 is to expose incumbent local exchange carriers to competi-

tion through the elimination of any previous barriers to competition created by local laws or naturally arising from the local exchange carrier's exclusive control over their property. These restrictions are not the subject of the constitutional challenge brought by the plaintiffs in this Court. Instead, the plaintiffs are challenging the restrictions found in §§ 271-275 of the Act entitled "Special Provisions Concerning Bell Operating Companies." Plaintiffs argue it is not lawful or fair to take away the state sanctioned franchised protected status for local service while at the same time continuing to not allow only them to compete in other telephone business, particularly long distance. They contend that the proverbial carrot has been removed but they are still receiving the stick.

The Special Provisions found in §§ 271-275 apply solely to a BOC or any affiliate of a BOC. That term is defined in § 153(4) as twenty specific corporate entities [3] and their successors or assigns that provide wireline telephone exchange service. 47 U.S.C. § 153(4). As such the statutes in question are not laws of general application. SBC challenges § 271, which restricts the BOCs' entry into the long distance market, and § 274, which prohibits electronic publishing by BOCs through the use of basic telephone service for a period of four years. SBC

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[3] Section 153(4)(A) identifies the following as Bell operating companies: Bell Telephone Company of Nevada, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, New England Telephone and Telegraph Company, New Jersey Bell Telephone Company, New York Telephone Company, U.S. West Communications Company, South Central Bell Telephone Company, Southern Bell Telephone and Telegraph Company, Southwestern Bell Telephone Company, The Bell Telephone Company of Pennsylvania, The Chesapeake and Potomac Telephone Company, The Chesapeake and Potomac Telephone Company of Maryland, The Chesapeake and Potomac Telephone Company of Virginia, The Chesapeake and Potomac Telephone Company of West Virginia, The Diamond State Telephone Company, the Ohio Bell Telephone Company, the Pacific Telephone and Telegraph Company and Wisconsin Telephone Company.

also attacks the requirement of affiliates for particular lines of business and the restrictions against manufacturing and the provision of alarm monitoring services found in §§ 272, 273 and 275.

Section 271 prohibits a BOC from providing interLATA services unless the following requirements are met:

(A) Presence of a facilities-based competor

A Bell operating company meets the requirements of this subparagraph if it has entered into one or more binding agreements that have been approved under section 252 of this title specifying the terms and conditions under which the Bell operating company is providing access and interconnection to its network facilities for the network facilities of one or more unaffiliated competing providers of telephone exchange service (as defined in section 153(47)(A) of this title, but excluding exchange access) to residential and business subscribers. For the purpose of this subparagraph, such telephone exchange service may be offered by such competing providers either exclusively over their own telephone exchange service facilities or predominantly over their own telephone exchange service facilities in combination with the resale of the telecommunications services of another carrier. For the purposes of this subparagraph, services provided pursuant to subpart K of part 22 of the Commission's regulations (47 C.F.R. 22.901 et seq.) shall not be considered to be telephone exchange services.

(B) Failure to request access

A Bell operating company meets the requirements of this subparagraph if, after 10 months after February 8, 1996, no such provider has requested the access and interconnection described in subparagraph (A) before the date which is 3 months before the

> date the company makes its application under subsection (d)(1) of this section, and a statement of the terms and conditions that the company generally offers to provide such access and interconnection has been approved or permitted to take effect by the State commission under section 252(f) of this title. For purposes of this subparagraph, a Bell operating company shall be considered not to have received any request for access and interconnection if the State commission of such State certifies that the only provider or providers making such a request have (i) failed to negotiate in good faith as required by section 252 of this title, or (ii) violated the terms of an agreement approved under section 252 of this title by the provider's failure to comply, within a reasonable period of time, with the implementation schedule contained in such agreement.

47 U.S.C. § 271(c)(1)(A) and (B).

Additionally, the BOCs must satisfy what Congress has termed a "Competitive checklist," which contains fourteen requirements governing the BOCs' access and interconnection provided to other telecommunications carriers. Upon compliance with these prerequisites, the BOC is not done. Section 271(d) provides that a BOC then may apply with the Federal Communications Commission for authorization to provide interLATA services. 47 U.S.C. § 271(d)(1). Under § 271, the FCC is restricted from granting such authorization unless the BOC has met the requirements identified above in (c)(1)(A) or (B); the authorization is in accordance with § 272; and "the requested authorization is consistent with the public interest, convenience, and necessity." Of course, this last hoop to jump through is met when the FCC says it is met.

Section 272 requires the BOCs to establish a separate affiliate for manufacturing activities that are authorized

by the FCC under § 271(d); for origination of interLATA telecommunications services other than certain interLATA services, out-of-region services, previously authorized activities; and interLATA information services forbidden by §§ 271 and 273 of the Act. Section 273 prohibits the BOCs from manufacturing and providing telecommunications equipment for as long as they are prohibited from providing long distance services under § 271.

Section 274 prohibits the BOCs for a period of four years from February 8, 1996 from engaging in electronic publishing through use of its basic telephone service. "Electronic publishing" is defined as "the dissemination, provision, publication, or sale to an unaffiliated entity or persons, of any one or more of the following: news (including sports); entertainment (other than interactive games); business, financial, legal, consumer, or credit materials; editorials, columns, or features; advertising; photos or images; archival or research material; legal notices or public records; scientific, educational, instructional, technical, professional, trade, or other literary materials; or other like or similar information." 47 U.S.C. § 274(h). Finally, § 275 forbids the BOCs from engaging in alarm monitoring services for a period of five years from February 8, 1996.

DISCUSSION—BILL OF ATTAINDER

The Court first addresses SBC's argument that the Special Provisions constitute a bill of attainder. The defendant and intervenors contend that the Special Provisions are appropriate regulation, not legislative punishment as required to constitute an attainder. This is of course a judgment call based on the law and all the surrounding factual circumstances. Whether the legislation goes too far and punishes the legislative target (here the named BOCs only) is the very type of question that judicial review must answer. Judicial review of the constitutionality of an Act of Congress is indeed the gravest and most

delicate duty that an Article III judge is called on to perform. *Blodgett v. Holden*, 275 U.S. 142, 48 S.Ct. 105, 72 L.Ed. 206 (1927) (Holmes, J., concurring). However, such decisions are the judiciary's duty under our system of government.

SBC strongly urges that the singling out of specific corporations by name and burdening those corporations with such limitations as those created by §§ 271-275 necessarily constitutes a bill of attainder in violation of Article I, § 9, Clause 3, of the Constitution.[4] Although the

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[4] The Court will address briefly at this point a related argument, preliminary in nature and raised by the FCC, that the Bill of Attainder Clause does not apply to corporations. While it is true that not all constitutional rights afforded individuals are guaranteed to corporations, corporations enjoy most of the same constitutional guarantees as individuals, even those provisions that would appear inherently personal in nature. *See Virginia Pharmacy Bd. v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 96 S.Ct. 1817, 48 L.Ed.2d 346 (1976) (corporation has a First Amendment right to freedom of speech); *Penn Central Transportation Co. v. New York City*, 438 U.S. 104, 98 S.Ct. 2646, 57 L.Ed.2d 631 (1978) (corporation's property may not be seized without just compensation); *Marshall v. Barlow's, Inc.*, 436 U.S. 307, 98 S.Ct. 1816, 56 L.Ed.2d 305 (1978) (corporation may not be subjected to unreasonable searches and seizures); *United States v. Martin Linen Supply Co.*, 430 U.S. 564, 97 S.Ct. 1349, 51 L.Ed.2d 642 (1977) (corporation can plead former jeopardy); *Helicopteros Nacionales de Colombia v. Hall*, 466 U.S. 408, 104 S.Ct. 1868, 80 L.Ed.2d 404 (1984) (corporation is entitled to due process); *Metropolitan Life Ins. Co. v. Ward*, 470 U.S. 869, 105 S.Ct. 1676, 84 L.Ed.2d 751 (1985) (corporation is entitled to equal protection). Whether a constitutional right is available to corporations "depends on the nature, history, and purpose of the particular constitutional provision." *First Nat'l Bank of Boston v. Bellotti*, 435 U.S. 765, 778 n. 14, 98 S.Ct. 1407, 1416 n. 14, 55 L.Ed.2d 707 (1978) (emphasis added).

The Court agrees with the plaintiffs that the protections afforded by the Bill of Attainder Clause apply to corporations. The nature of the Clause is not inherently personal. It is not difficult to see that corporations, like individuals, may find themselves at the mercy of a legislature attempting to assume the role of the judiciary. As the Supreme Court stated in *United States v. Brown*, 381 U.S. 437, 85 S.Ct. 1707, 14 L.Ed.2d 484 (1965), "the Bill of Attainder

Supreme Court has established criteria for determining whether a particular statute constitutes a bill of attainder, the Supreme Court has never addressed the precise issue before this Court: whether Congress may enact laws that single out by name specific business entities and restrict their ability to conduct lawful business, and do not do so for other similarly situated entities.[5]

A bill of attainder has been defined as "a legislative act which inflicts punishment without a judicial trial." *Cummings v. State of Missouri*, 71 U.S. 277, 323 (4 Wall.), 18 L.Ed. 356 (1866). A bill of attainder originally was associated with legislation that sentenced a named individual to death. However, Article I, § 9 also proscribes laws characterized as bills of pains and penalties, which inflict a punishment less than death. *United States v. Lovett*, 106 Ct.Cl. 856, 328 U.S. 303, 315, 66 S.Ct. 1073, 1078-79, 90 L.Ed. 1252 (1946) *citing Cummings*, 71 U.S. 277, 4 Wall. 277. As the Supreme Court has instructed, the Bill of Attainder Clause was intended to implement the separation of powers as well as reflect

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Clause was intended not as a narrow, technical (and therefore soon to be outmoded) prohibition, but rather as an implementation of the separation of powers, a general safeguard against legislative exercise of the judicial function or more simply—trial by legislature." 381 U.S. at 440, 85 S.Ct. at 1710.

It is well settled that corporations are subject to criminal law. They are often indicted, tried, convicted and sentenced under the Sentencing Guidelines. Given that a bill of attainder is trial by legislature, with penal consequences, the Court can think of no reason why the clause should be read so narrowly to exclude corporations.

[5] SBC took the position and Congress was informed as early as May 21, 1992 that legislation that singled out the BOCs alone for special disability violated separation of powers principles and specifically the Bill of Attainder Clause, Article I, § 9 of the Constitution. This opinion was expressed by Professor Laurence H. Tribe, probably the most respected Constitutional law scholar alive. See Laurence H. Tribe, *Comments on The Brooks Bill (H.R. 5096)—A Constitutional Perspective*, May 21, 1992, also made a part of the record in this case.

"the Framers' [of the Constitution] belief that the Legislative Branch is not so well suited as politically independent judges and juries to the task of ruling upon the blameworthiness of, and levying appropriate punishment upon, specific persons." *Brown*, 381 U.S. at 445, 85 S.Ct. at 1713.

Although historically the gamut of statutes and corresponding punishments deemed forbidden as bills of attainder has been limited, the list of punishments has broadened somewhat. In addition to the traditional legislative punishments considered unconstitutional—imprisonment, banishment, and confiscation of property—statutes preventing select individuals or groups from engaging in specified employments or vocations have been added to the list of impermissible sanctions. *Nixon v. Administrator of General Services*, 433 U.S. 425, 474, 97 S.Ct. 2777, 2806, 53 L.Ed.2d 867 (1977).

A review of Supreme Court precedent demonstrates that the Court rarely has held a statute to be unconstitutional as a bill of attainder. The defendants' argue that this fact militates against a finding that the questioned statutes are bills of attainder. However, the statutes and punishment before this Court are extraordinary, and in fact unprecedented. An analysis under the applicable standards for a bill of attainder show that this is clearly what the statutes are. The fact that such a court finding is rare is because it is rare for Congress to in essence declare by name someone guilty of an offense (here antitrust violations) and then set about to punish them by statute.

A statute is considered an unconstitutional bill of attainder when it (1) identifies a specific individual or group (2) inflicts punishment on that individual or group (3) without the benefit of a judicial trial. *Selective Serv. Sys. v. Minnesota Public Interest Research Group*, 468 U.S. 841, 846, 104 S.Ct. 3348, 3351-52, 82 L.Ed.2d 632 (1984). The parties do not, and cannot, dispute that the specification element is met. The Special Provisions by

their very terms apply solely to the BOCs. Nor have the BOCs had any judicial trial for crimes they have committed or may commit. Thus, the real dispute centers on the issue of whether the company specific prohibitions found in §§ 271-275 constitute punishment for purposes of a bill of attainder, or, as the defendants contend, they are merely economic regulation.

The Supreme Court applies a three-step analysis in determining whether a law crosses the boundary between lawful regulation and impermissible punishment, therefore, is deemed a bill of attainder. The first step to making this determination is known as the historical test and involves a comparison of the punishment at hand to the type of sanctions historically found to constitute legislative punishment. *Nixon*, 433 U.S. at 475, 97 S.Ct. at 2806-07. SBC argues that Supreme Court precedent holding unconstitutional laws prohibiting individuals or groups from engaging in a particular profession apply equally to this case. The FCC urges that none of the circumstances present in the cases where the Supreme Court has found a law to be a bill of attainder are present in the case at hand. The FCC does not equate an individual's deprivation of his employment to the outlawing of participation in lawful business placed on SBC through the Special Provisions. In fact, the FCC urges this Court to find that the Special Provisions are not punitive because they merely replace the restrictions and conditions imposed on the BOCs under the Consent Decree, between AT & T and the United States, related court orders and administrative regulations which arose out of the antitrust litigation against AT & T.

Although the history of the Clause suggests that individuals have benefitted from the Bill of Attainder Clause, the Supreme Court has long stated that the clause applies to individual persons *and private groups. See e.g. Cummings*, 71 U.S. 277, 4 Wall. 277 (emphasis added—*See also* footnote 5 on this point). To glean from this language an intent of the Supreme Court to

apply the protections afforded under the Bill of Attainder Clause to a broader group than just individuals is wholly consistent with the purpose of the Clause. The Supreme Court has stated that the Bill of Attainder Clause is "not to be given a narrow historical reading," rather, it is "to be read in light of the evil the Framers had sought to bar: legislative punishment, of any form or severity, of specifically designated persons or groups." *Brown*, 381 U.S. at 447, 85 S.Ct. at 1714.

Further, the list of unlawful Congressional sanctions is not limited solely to deprivations of life, liberty and property. *Cummings*, 71 U.S. at 320. In *Cummings*, the Supreme Court recognized the unlimited scope of punishments prohibited by the Bill of Attainder Clause stating:

> The deprivation of any rights, civil or political, previously enjoyed, may be punishment, the circumstances attending and the causes of the deprivation determining this fact. Disqualification from office may be punishment, as in cases of conviction upon impeachment. Disqualification from the pursuits of a lawful avocation, or from positions of trust, or from the privilege of appearing in the courts, or acting as an executor, administrator, or guardian, may also, and often has been, imposed as punshment.

71 U.S. at 320. The Supreme Court in *Nixon* again echoed this sentiment when it stated that "[o]ur treatment of the scope of the Clause has never precluded the possibility that new burdens and deprivations might be legislatively fashioned that are inconsistent with the bill of attainder guarantee." *Nixon*, 433 U.S. at 475, 97 S.Ct. at 2806.

Under a historical analysis, the burdens imposed on the BOCs by §§ 271-275 necessarily constitute punishment. Historically, the Supreme Court has forbidden legislation preventing individuals or groups from engaging in a profession or business as well as those laws that deprive them of rights previously enjoyed. The Special Provisions prevent the BOCs from engaging in a lawful business for what

the Court only can conclude were the sins of the parent, AT & T, or for what offenses Congress believes the BOCs may (without any evidence) commit in the future. This Court is not deterred by the fact that named business entities, not named individuals, are subjected to the sanctions imposed by the Special Provisions. Corporations, like individuals, are subject to punishment as has long been evidenced by the criminal laws of this country.

Sections 271-275 fail to set forth a generally applicable rule requiring all local exchange carriers to comply with their restrictions. *See Brown*, 381 U.S. at 446, 85 S.Ct. at 1713. The Special Provisions impose no slight burden on the BOCs as the FCC urges this Court to believe. Sections 271-275 foreclose the BOCs from immediate entry into very lucrative markets at a time when the telecommunications market is ever expanding and changing. The barriers to entry in the long-distance and alarm monitoring services markets, the manufacturing restrictions, and the prohibitions against electronic publishing prescribed by §§ 271-275 constitute punishment as that term is applied to a bill of attainder.

To put the BOCs' plight in perspective, all other telecommunications carriers, including all other non specified similarly situated local exchange carriers, may offer any of the services forbidden to the BOCs. This allows other telecommunications carriers that are in competition with the BOCs to offer "one-stop shopping" for customers' needs. No longer will consumers need to purchase local service through one carrier and long distance through another carrier. The inability of the BOCs to provide their customers with all of their telecommunications needs greatly increases the likelihood of enormous losses of existing business in addition to the economic losses the BOCs will suffer by their inability to enter various telecommunications markets. While the sanctions imposed by the Special Provisions do not result in imprisonment

or banishment of the BOCs, they punish the BOCs in the only manner possible for a corporation—financially.[6]

Indeed, §§ 271-275 presume the guilt of the BOCs as monopolists and assess the punishment without the benefit of a judicial trial. The Bill of Attainder Clause was designed to safeguard against this very conduct—trial by legislature. *Brown*, 381 U.S. at 442, 85 S.Ct. at 1711-12. While Congress may prescribe general rules governing society, it is the function of the judiciary to apply those rules. *Id.* at 446, 85 S.Ct. at 1713 *citing Fletcher v. Peck*, 10 U.S. 87, (6 Cranch) 3 L.Ed. 162 (1810). Through the Special Provisions, Congress has encroached on the authority of the judiciary by applying the general rules prescribed in §§ 251-252 and then adjudging the BOCs guilty of non-compliance, guilty of anticompetitive conduct, and assessing their punishment to be foreclosure of various lucrative and legal business activities otherwise available to all other telecommunications carriers.

The FCC argues that the restrictions imposed by the Special Provisions institute no additional restrictions than those imposed on the BOCs by the AT & T Consent Decree. According to the FCC, §§ 271-275 "merely revamp" the restrictions on the BOCs and their affiliates imposed by the consent decree and "move it from the judicial and executive realm to the legislative realm." Therein lies the imperfection of their argument. The Bill of Attainder Clause is designed to implement separation of powers and to prevent this very conduct that the FCC contends validates Congress' enactment of the Special Provisions. While a court can adjudicate the rights or liabilities of the BOCs and impose corresponding sanc-

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[6] How does one punish a corporation? You cannot tie it to the whipping post or roll the corporate charter up and place it in jail. The only way you ever punish a corporation is by affecting its bottom line and that is precisely what §§ 271-275 do to the named BOCs.

tions—or formulate a consent decree as in the case of AT & T—Congress has not been granted such authority. Furthermore, even a court may only do so after notice, evidence, confrontation and finally an adjudication by a politically neutral judge or jury.

Additionally, the Special Provisions take from the BOCs certain rights previously enjoyed—a historically impermissible sanction. *See Cummings*, 71 U.S. at 320. True, the BOCs were subject to restrictions under the consent decree, including access to the long distance market. However, a number of the restrictions imposed on the BOCs through the consent decree were eliminated years before the enactment of the Act including the information services ban, which encompassed both alarm monitoring and electronic publishing. Although once liberated from these restrictions, Congress has reinstated them solely against the BOCs through the Special Provisions.

The FCC suggests that the Special Provisions cannot be punitive because they are not permanent or inescapable. In support of its contention, the FCC cites *Selective Service Sys. v. Minnesota Public Interest Research Group*, 468 U.S. 841, 104 S.Ct. 3348, 82 L.Ed.2d 632 (1984), which addressed the constitutionality of § 12(f) of the Military Selective Service Act. The challenged statute in that case denied any form of assistance provided under Title IV of the Higher Education Act to those men who failed to register for the draft as required by the Military Selective Service Act. *Id.* at 844, 104 S.Ct. at 3350-51. However, the statute allowed those failing to timely register to qualify for aid by filing late. *Id.* at 850, 104 S.Ct. at 3353-54. The Supreme Court held that the statute was not a bill of attainder stating: "[a] statute that leaves open perpetually the possibility of qualifying for aid does not fall within the historical meaning of forbidden legislative punishment." *Id.* at 853, 104 S.Ct. at 3355.

This Court is not persuaded that the Supreme Court's decision in *Selective Service* signifies that the constitutionality of a statute under the Bill of Attainder Clause will be dependent on the inclusion or exclusion of an escape clause. To the contrary, the Court in *Brown* noted that an escape clause is not an "absolute prerequisite to a finding of attainder." 381 U.S. at 458 n. 32, 85 S.Ct. at 1720 n. 32. The Court further stated that "[s]uch an absolute rule would have flown in the face of explicit precedent." *Id.* Moreover, the challenged statute in *Selective Service* potentially deprived male citizens, *all male citizens*, in the appropriate age range of government benefits—not their ability to participate in particular employment or business, as here. The Supreme Court recognized this distinction stating: " 'the sanction is the mere denial of a noncontractual governmental benefit. No affirmative disability or restraint is imposed.' " *Selective Service*, 468 U.S. at 853, 104 S.Ct. at 3355 *citing Flemming v. Nestor*, 363 U.S. 603, 617, 80 S.Ct. 1367, 1376, 4 L.Ed.2d 1435 (1960).

The Special Provisions impose affirmative disabilities on the BOCs. The "Competitive checklist" identifies fourteen duties alone. Sections 271-275 strip the BOCs of their ability to enter new markets and tie their hands while their competitors such as GTE, AT & T, and MCI take their punches. These provisions impose burdensome requirements that must be met before the BOCs even can request to compete with other telecommunications carriers in long distance, alarm monitoring services, manufacturing, and electronic publishing. But perhaps most significantly, it is conceivable that these requirements may never be met by the BOCs. Not only is the "Competitive checklist" in § 271 extremely onerous, the process for applying to have the numerous restrictions removed is tainted with indefiniteness and replete with arbitrary standards.

Although §§ 271-275 constitute a bill of attainder under the historical analysis, the punitive nature of the

Special Provisions is reinforced through an application of the functional test enunciated by the Supreme Court. The functional test involves "analyzing whether the law under challenge, viewed in terms of the type and severity of burdens imposed, reasonably can be said to further nonpunitive legislative purposes." *Nixon*, 433 U.S. at 475, 97 S.Ct. at 2806-07. "Where such legitimate legislative purposes do not appear, it is reasonable to conclude that punishment of individuals disadvantaged by the enactment was the purpose of the decisionmakers." *Id.*

The FCC identifies the otherwise nonpunitive purposes of the Special Provisions as "establishing telecommunications policy, increasing competition in markets to benefit the consumer, preventing anticompetitive activities." Preventing anticompetitive activities necessarily implies that if the restrictions imposed by the Special Provisions were lifted, the BOCs would engage in anticompetitive conduct. Once again, the Special Provisions presume the BOCs' guilt. If establishing the telecommunications market and increasing competition were the goals of Congress, those ends have been addressed through other provisions of the Act such as § 251, which applies generally to all telecommunications carriers, and more specifically to *all* local exchange carriers.

The functional reality of the Special Provisions is that they serve as punishment for the BOCs' presumed anticompetitive conduct. Congress independently has adjudicated the BOCs guilty of antitrust violations. Moreover, Congress has determined that the BOCs are guilty of an unlawful monopolization of the long distance market before the BOCs even have entered that market. The evils that Congress is predicting and attempting to prevent amply are addressed by the antitrust laws of this country if and when their use becomes necessary. And if they do they will be applied in a court of law.

The FCC further urges that the restrictions found in the Special Provisions were not intended to punish prior

bad behavior of the BOCs, but are based "on a realistic appraisal of the incentives" of the BOCs to disadvantage competitors. In essence the argument is that "maybe they weren't criminals in the past but we know they will be in the future." Punishment is not restricted to past deeds. *Brown*, 381 U.S. at 458-59, 85 S.Ct. at 1720-21. Impermissible sanctions may include deprivations designed to prevent future misconduct. *Id.* Thus, that Congress is basing its restrictions in §§ 271-275 on a "predictive determination" offers no salvation for the FCC's argument. If anything it helps make the case for the restrictions being a bill of attainder.

The final test for determining whether a statute constitutes a bill of attainder is the motivational test, which inquires into "whether the legislative record evinces a congressional intent to punish." *Nixon*, 433 U.S. at 478, 97 S.Ct. at 2808. Although an explicit demonstration of punitive legislative intent is unnecessary to a bill of attainder, the Supreme Court has turned to the legislative history of challenged statutes as some evidence in analyzing their constitutionality. *Nixon*, 433 U.S. at 480, 97 S.Ct. at 2809. The references to the AT & T Consent Decree and the alleged antitrust violations of AT & T are not so innocent as the FCC urges this Court to believe. Indeed, the consent decree was born out of alleged antitrust violations by AT & T. The result of their alleged unlawful conduct was the numerous restrictions imposed by the decree. Those same restrictions are imposed now on the BOCs through the Special Provisions. AT & T's prior allegedly anticompetitive conduct forms the very basis of the Special Provisions. The Court can reach no other conclusion than that Congress intended §§ 271-275 to punish the BOCs for their former parent AT & T's transgressions over two decades ago or for crimes yet to be committed by the BOCs.

CONCLUSION

Sections 271-275 of the Telecommunications Act of 1996 constitute a bill of attainder and thus are unconstitutional. If the sections were statutes of general applicability this Court's ruling would be different. Having so found the Court need not and does not reach the plaintiffs' equal protection and first amendment arguments. The plaintiffs' Motion for Summary Judgment is GRANTED and the defendants' Cross-Motion for Summary Judgment is DENIED.

SO ORDERED.

APPENDIX C

[Filed Feb. 11, 1998]

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
WICHITA FALLS DIVISION

Civil Action No. 7:97-CV-163-X

SBC COMMUNICATIONS, INC., *et al.*,
Plaintiffs/Intervenors,

v.

FEDERAL COMMUNICATIONS COMMISSION, *et al.*,
Defendants/Intervenors.

FINAL JUDGMENT

On December 31, 1997 the Court issued its Memorandum Opinion and Order holding Sections 271-275, inclusive, of the Telecommunications Act of 1996 unconstitutional. Those provisions, singling out the Plaintiff and Plaintiff-Intervenors by name, constitute a violation of separation of powers principles and are bills of attainder, and are thus unconstitutional.

The Court did not reach the equal protection and first amendment claims. The Court further did not, and here does not, find any other provision of the Act unconstitutional. The Court expressly holds and decrees that the unconstitutional "Special Provisions" are severable from the remainder of the Telecommunications Act of 1996 and the Communications Act of 1934.

THEREFORE, it is the ORDER, JUDGMENT and DECREE of this Court that Sections 271, 272, 273, 274, and 275 of the Telecommunications Act of 1996 are unconstitutional. Costs shall be borne by the party incurring them.

Signed this 11th day of February, 1998.

/s/ Joe Kendall
JOE KENDALL
United States District Judge

APPENDIX D

[Filed Feb. 11, 1998]

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
WICHITA FALLS DIVISION

Civil Action No. 7:97-CV-163-X

SBC COMMUNICATIONS, INC., *et al.*,
Plaintiffs/Intervenors,

v.

FEDERAL COMMUNICATIONS COMMISSION, *et al.*,
Defendants/Intervenors.

ORDER GRANTING STAY AND DENYING INJUNCTION

On December 31, 1997 this Court entered its Memorandum Opinion and Order and today, February 11, 1998 entered its Final Judgment declaring Sections 271 through 275, inclusive, of the Telecommunications Act of 1996 unconstitutional as violative of the separation of powers principles and bill of attainder provision of the United States Constitution. On January 21, 1998 the Federal Defendant-Intervenors filed Notices of Appeal and all defendants have requested a stay pending appeal as well as injunctive relief. The Motion for Stay is granted.

The defendants have sought from the Court an injunction against the Plaintiffs to bar them from preparing to or actually selling long distance telephone service to con-

sumers. The defendants have failed to make the showing necessary for injunctive relief.

The defendants have not shown a likelihood of success on the merits. Despite all the noise, spin and reams of papers, *legally* this case isn't so much about Milt Friedman vs. Kenneth Galbraith as it is about James Madison. The "Special Provisions" violate separation of powers principles.

There is an adequate remedy at law: It is an appeal. Furthermore, there has been no showing of irreparable harm to anyone if an injunction is not entered, or indeed even if the stay is lifted. Long distance telephone service can be changed with a telephone call of about 60 to 120 seconds duration.

The Court specifically declines to enjoin the Plaintiff and Intervening Plaintiffs (Bell Operating Companies or "Baby Bells") from preparing to sell or selling long distance service to consumers who freely choose to purchase such services from them.

SO ORDERED this 11th day of February, 1998.

/s/ Joe Kendall
JOE KENDALL
United States District Judge

APPENDIX E

[49 U.S.C. § 153(4)]

STATUTORY PROVISIONS

The Telecommunications Act of 1996 provides in 47 U.S.C.:

§ 153. Definitions

For the purposes of this chapter, unless the context otherwise requires—

(4) Bell operating company

The term "Bell operating company"—

(A) means any of the following companies: Bell Telephone Company of Nevada, Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, New England Telephone and Telegraph Company, New Jersey Bell Telephone Company, New York Telephone Company, US West Communications Company, South Central, Bell Telephone Company, Southern Bell Telephone and Telegraph Company, Southwestern Bell Telephone Company, The Bell Telephone Company of Pennsylvania, The Chesapeake and Potomac Telephone Company, The Chesapeake and Potomac Telephone Company of Maryland, The Chesapeake and Potomac Telephone Company of Virginia, The Chesapeake and Potomac Telephone Company of West Virginia, The Diamond State Telephone Company, The Ohio Bell Telephone Company, The Pacific Telephone and Telegraph Company, or Wisconsin Telephone Company; and

(B) includes any successor or assign of any such company that provides wireline telephone exchange service; but

(C) does not include an affiliate of any such company, other than an affiliate described in subparagraph (A) or (B).

PART II—DEVELOPMENT OF COMPETITIVE MARKETS

§ 251. Interconnection

(a) General duty of telecommunications carriers

Each telecommunications carrier has the duty—

(1) to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers; and

(2) not to install network features, functions, or capabilities that do not comply with the guidelines and standards established pursuant to section 255 or 256 of this title.

(b) Obligations of all local exchange carriers

Each local exchange carrier has the following duties:

(1) Resale

The duty not to prohibit, and not to impose unreasonable or discriminatory conditons or limitations on, the resale of its telecommunications services.

(2) Number portability

The duty to provide, to the extent technically feasible, number portability in accordance with requirements prescribed by the Commission.

(3) Dialing parity

The duty to provide dialing parity to competing providers of telephone exchange service and tele-

phone toll service, and the duty to permit all such providers to have nondiscriminatory access to telephone numbers, operator services, directory assistance, and directory listing, with no unreasonable dialing delays.

(4) Access to rights-of-way

The duty to afford access to the poles, ducts, conduits, and rights-of-way of such carrier to competing providers of telecommunications services on rates, terms, and conditions that are consistent with section 224 of this title.

(5) Reciprocal compensation

The duty to establish reciprocal compensation arrangements for the transport and termination of telecommunications.

(c) Additional obligations of incumbent local exchange carriers

In addition to the duties contained in subsection (b) of this section, each incumbent local exchange carrier has the following duties:

(1) Duty to negotiate

The duty to negotiate in good faith in accordance with section 252 of this title the particular terms and conditions of agreements to fulfill the duties described in paragraphs (1) through (5) of subsection (b) of this section and this subsection. The requesting telecommunications carrier also has the duty to negotiate in good faith the terms and conditions of such agreements.

(2) Interconnection

The duty to provide, for the facilities and equipment of any requesting telecommunications carrier,

interconnection with the local exchange carrier's network—

(A) for the transmission and routing of telephone exchange service and exchange access;

(B) at any technically feasible point within the carrier's network;

(C) that is at least equal in quality to that provided by the local exchange carrier to itself or to any subsidiary, affiliate, or any other party to which the carrier provides interconnection; and

(D) on rates, terms, and conditions that are just, reasonable, and nondiscriminatory, in accordance with the terms and conditions of the agreement and the requirements of this section and section 252 of this title.

(3) Unbundled access

The duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and the requirements of this section and section 252 of this title. An incumbent local exchange carrier shall provide such unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service.

(4) Resale

The duty—

(A) to offer for resale at wholesale rates any telecommunications service that the carrier pro-

vides at retail to subscribers who are not telecommunications carriers; and

(B) not to prohibit, and not to impose unreasonable or discriminatory conditions or limitations on, the resale of such telecommunications service, except that a State commission may, consistent with regulations prescribed by the Commission under this section, prohibit a reseller that obtains at wholesale rates a telecommunications service that is available at retail only to a category of subscribers from offering such service to a different category of subscribers.

(5) Notice of changes

The duty to provide reasonable public notice of changes in the information necessary for the transmission and routing of services using that local exchange carrier's facilities or networks, as well as of any other changes that would affect the interoperability of those facilities and networks.

(6) Collocation

The duty to provide, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory, for physical collocation of equipment necessary for interconnection or access to unbundled network elements at the premises of the local exchange carrier, except that the carrier may provide for virtual collocation if the local exchange carrier demonstrates to the State commission that physical collocation is not practical for technical reasons or because of space limitations.

(d) Implementation

(1) In general

Within 6 months after February 8, 1996, the Commission shall complete all actions necessary to establish regulations to implement the requirements of this section.

(2) Access standards

In determining what network elements should be made available for purposes of subsection (c)(3) of this section, the Commission shall consider, at a minimum, whether—

(A) access to such network elements as are proprietary in nature is necessary; and

(B) the failure to provide access to such network elements would impair the ability of the telecommunications carrier seeking access to provide the services that it seeks to offer.

(3) Preservation of State access regulations

In prescribing and enforcing regulations to implement the requirements of this section, the Commission shall not preclude the enforcement of any regulation, order, or policy of a State commission that—

(A) establishes access and interconnection obligations of local exchange carriers;

(B) is consistent with the requirements of this section; and

(C) does not substantially prevent implementation of the requirements of this section and the purposes of this part.

[47 U.S.C. § 251]

(e) Numbering administration

(1) Commission authority and jurisdiction

The Commission shall create or designate one or more impartial entities to administer telecommunications numbering and to make such numbers available on an equitable basis. The Commission shall have exclusive jurisdiction over those portions of the North American Numbering Plan that pertain to the United States. Nothing in this paragraph shall preclude the Commission from delegating to State commissions or other entities all or any portion of such jurisdiction.

(2) Costs

The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission.

(f) Exemptions, suspensions, and modifications

(1) Exemption for certain rural telephone companies

(A) Exemption

Subsection (c) of this section shall not apply to a rural telephone company until (i) such company has received a bona fide request for interconnection, services, or network elements, and (ii) the State commission determines (under subparagraph (B)) that such request is not unduly economically burdensome, is technically feasible, and is consistent with section 254 of this title (other than subsections (b)(7) and (c)(1)(D) thereof).

(B) State termination of exemption and implementation schedule

The party making a bona fide request of a rural telephone company for interconnection, services, or network elements shall submit a notice of its request to the State commission. The State commission shall conduct an inquiry for the purpose of determining whether to terminate the exemption under subparagraph (A). Within 120 days after the State commission receives notice of the request, the State commission shall terminate the exemption if the request is not unduly economically burdensome, is technically feasible, and is consistent with section 254 of this title (other than subsections (b)(7) and (c)(1)(D) thereof). Upon termination of the exemption, a State commission shall establish an implementation schedule for compliance with the request that is consistent in time and manner with Commission regulations.

(C) Limitation on exemption

The exemption provided by this paragraph shall not apply with respect to a request under subsection (c) of this section, from a cable operator providing video programming, and seeking to provide any telecommunications service, in the area in which the rural telephone company provides video programming. The limitation contained in this subparagraph shall not apply to a rural telephone company that is providing video programming on February 8, 1996.

(2) Suspensions and modifications for rural carriers

A local exchange carrier with fewer than 2 percent of the Nation's subscriber lines installed in the

aggregate nationwide may petition a State commission for a suspension or modification of the application of a requirement or requirements of subsection (b) or (c) of this section to telephone exchange service facilities specified in such petition. The State commission shall grant such petition to the extent that, and for such duration as, the State commission determines that such suspension or modification—

(A) is necessary—

(i) to avoid a significant adverse economic impact on users of telecommunications services generally;

(ii) to avoid imposing a requirement that is unduly economically burdensome; or

(iii) to avoid imposing a requirement that is technically infeasible; and

(B) is consistent with the public interest, convenience, and necessity.

The State commission shall act upon any petition filed under this paragraph within 180 days after receiving such petition. Pending such action, the State commission may suspend enforcement of the requirement or requirements to which the petition applies with respect to the petitioning carrier or carriers.

(g) Continued enforcement of exchange access and interconnection requirements

On and after February 8, 1996, each local exchange carrier, to the extent that it provides wireline services, shall provide exchange access, information access, and exchange services for such access to interexchange carriers and information service providers in accordance with the same

equal access and nondiscriminatory interconnection restrictions and obligations (including receipt of compensation) that apply to such carrier on the date immediately preceding February 8, 1996 under any court order, consent decree, or regulation, order, or policy of the Commission, until such restrictions and obligations are explicitly superseded by regulations prescribed by the Commission after February 8, 1996. During the period beginning on February 8, 1996 and until such restrictions and obligations are so superseded, such restrictions and obligations shall be enforceable in the same manner as regulations of the Commission.

(h) Definition of incumbent local exchange carrier

(1) Definition

For purposes of this section, the term 'incumbent local exchange carrier' means, with respect to an area, the local exchange carrier that—

(A) on February 8, 1996, provided telephone exchange service in such area; and

(B)(i) on February 8, 1996, was deemed to be a member of the exchange carrier association pursuant to section 69.601(b) of the Commission's regulations (47 C.F.R. 69.601(b)); or

(ii) is a person or entity that, on or after February 8, 1996, became a successor or assign of a member described in clause (i).

(2) Treatment of comparable carriers as incumbents

The Commission may, by rule, provide for the treatment of a local exchange carrier (or class or category thereof) as an incumbent local exchange carrier for purposes of this section if—

(A) such carrier occupies a position in the market for telephone exchange service within an area that is comparable to the position occupied by a carrier described in paragraph (1);

(B) such carrier has substantially replaced an incumbent local exchange carrier described in paragraph (1); and

(C) such treatment is consistent with the public interest, convenience, and necessity and the purposes of this section.

(i) Savings provision

Nothing in this section shall be construed to limit or otherwise affect the Commission's authority under section 201 of this title.

§ 252. Procedures for negotiation, arbitration, and approval of agreements

(a) Agreements arrived at through negotiation

(1) Voluntary negotiations

Upon receiving a request for interconnection, services, or network elements pursuant to section 251 of this title, an incumbent local exchange carrier may negotiate and enter into a binding agreement with the requesting telecommunications carrier or carriers without regard to the standards set forth in subsections (b) and (c) of section 251 of this title. The agreement shall include a detailed schedule of itemized charges for interconnection and each service or network element included in the agreement. The agreement, including any interconection agreement negotiated before February 8, 1996, shall be submitted to the State commission under subsection (e) of this section.

(2) Mediation

Any party negotiating an agreement under this section may, at any point in the negotiation, ask a State commission to participate in the negotiation and to mediate any differences arising in the course of the negotiation.

(b) Agreements arrived at through compulsory arbitration

(1) Arbitration

During the period from the 135th to the 160th day (inclusive) after the date on which an incumbent local exchange carrier receives a request for negotiation under this section, the carrier or any other party to the negotiation may petition a State commission to arbitrate any open issues.

(2) Duty of petitioner

(A) A party that petitions a State commission under paragraph (1) shall, at the same time as it submits the petition, provide the State commission all relevant documentation concerning—

(i) the unresolved issues;

(ii) the position of each of the parties with respect to those issues; and

(iii) any other issue discussed and resolved by the parties.

(B) A party petitioning a State commission under paragraph (1) shall provide a copy of the petition and any documentation to the other party or parties not later than the day on which the State commission receives the petition.

(3) Opportunity to respond

A non-petitioning party to a negotiation under this section may respond to the other party's petition and

provide such additional information as it wishes within 25 days after the State commission receives the petition.

(4) Action by State commission

(A) The State commission shall limit its consideration of any petition under paragraph (1) (and any response thereto) to the issues set forth in the petition and in the response, if any, filed under paragraph (3).

(B) The State commission may require the petitioning party and the responding party to provide such information as may be necessary for the State commission to reach a decision on the unresolved issues. If any party refuses or fails unreasonably to respond on a timely basis to any reasonable request from the State commission, then the State commission may proceed on the basis of the best information available to it from whatever source derived.

(C) The State commission shall resolve each issue set forth in the petiton and the response, if any, by imposing appropriate conditions as requred to implement subsection (c) of this section upon the parties to the agreement, and shall conclude the resolution of any unresolved issues not later than 9 months after the date on which the local exchange carrier received the request under this section.

(5) Refusal to negotiate

The refusal of any other party to the negotiation to participate further in the negotiations, to cooperate with the State commission in carrying out its function as an arbitrator, or to continue to negotiate in good faith in the presence, or with the assistance, of the State commission shall be considered a failure to negotiate in good faith.

(c) Standards for arbitration

In resolving by arbitration under subsection (b) of this section any open issues and imposing conditons upon the parties to the agreement, a State commission shall—

(1) ensure that such resolution and conditions meet the requirements of section 251 of this title, including the regulations prescribed by the Commission pursuant to section 251 of this title;

(2) establish any rates for interconnection, services, or network elements according to subsection (d) of this section; and

(3) provide a schedule for implementation of the terms and conditions by the parties to the agreement.

(d) Pricing standards

(1) Interconnection and network element charges

Determinations by a State commission of the just and reasonable rate for the interconnection of facilities and equipment for purposes of subsection (c)(2) of section 251 of this title, and the just and reasonable rate for network elements for purposes of subsection (c)(3) of such section—

(A) shall be—

(i) based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the interconnection or network element (whichever is applicable), and

(ii) nondiscriminatory, and

(B) may include a reasonable profit.

[47 U.S.C. § 252]

(2) Charges for transport and termination of traffic

(A) In general

For the purposes of compliance by an incumbent local exchange carrier with section 251(b)(5) of this title, a State commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless—

(i) such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier; and

(ii) such terms and conditions determine such costs on the basis of a reasonable approximation of the additional costs of terminating such calls.

(B) Rules of construction

This paragraph shall not be construed—

(i) to preclude arrangements that afford the mutual recovery of costs through the offsetting of reciprocal obligations, including arrangements that waive mutual recovery (such as bill-and-keep arrangements); or

(ii) to authorize the Commission or any State commission to engage in any rate regulation proceeding to establish with particularity the additional costs of transporting or terminating calls, or to require car-

riers to maintain records with respect to the additional costs of such calls.

(3) Wholesale prices for telecommunication services

For the purposes of section 251(c)(4) of this title, a State commission shall determine wholesale rates on the basis of retail rates charges to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier.

(e) Approval by State commission

(1) Approval required

Any interconnection agreement adopted by negotiation or arbitration shall be submitted for approval to the State commission. A State commission to which an agreement is submitted shall approve or reject the agreement, with written findings as to any deficiencies.

(2) Grounds for rejection

The State commission may only reject

(A) an agreement (or any portion thereof) adopted by negotiation under subsection (a) of this section if it finds that—

(i) the agreement (or portion thereof) discriminates against a telecommuncations carrier not a party to the agreement; or

(ii) the implementation of such agreement or portion is not consistent with the public interest, convenience, and necessity; or

[47 U.S.C. § 252]

(B) an agreement (or any portion thereof) adopted by arbitration under subsection (b) of this section if it finds that the agreement does not meet the requirements of section 251 of this title, including the regulations prescribed by the Commission pursuant to section 251 of this title, or the standards set forth in subsection (d) of this section.

(3) Preservation of authority

Notwithstanding paragraph (2), but subject to section 253 of this title, nothing in this section shall prohibit a State commission from establishing or enforcing other requirements of State law in its review of an agreement, including requiring compliance with intrastate telecommunications service quality standards or requirements.

(4) Schedule for decision

If the State commission does not act to approve or or reject the agreement within 90 days after submission by the parties of an agreement adopted by negotiation under subsection (a) of this section, or within 30 days after submission by the parties of an agreement adopted by arbitration under subsection (b) of this section, the agreement shall be deemed approved. No State court shall have jurisdiction to review the action of a State commission in approving or rejecting an agreement under this section.

(5) Commission to act if State will not act

If a State commission fails to act to carry out its responsibility under this section in any proceeding or other matter under this section, then the Commission, shall issue an order preempting the State commission's jurisdiction of that proceeding or matter

within 90 days after being notified (or taking notice) of such failure, and shall assume the responsibility of the State commission under this section with respect to the proceeding or matter and act for the State commission.

(6) Review of State commission actions

In a case in which a State fails to act as described in paragraph (5), the proceeding by the Commission under such paragraph and any judicial review of the Commission's actions shall be the exclusive remedies for a State commission's failure to act. In any case in which a State commission makes a determination under this section, any party aggrieved by such determination may bring an action in an appropriate Federal district court to determine whether the agreement or statement meets the requirements of section 251 of this title and this section.

(f) Statements of generally available terms

(1) In general

A Bell operating company may prepare and file with a State commission a statement of the terms and conditions that such company generally offers within that State to comply with the requirements of section 251 of this title and the regulations thereunder and the standards applicable under this section.

(2) State commission review

A State commission may not approve such statement unless such statement complies with subsection (d) of this section and section 251 of this title and the regulations thereunder. Except as provided in section 253 of this title, nothing in this section shall prohibit a State commission from establishing

or enforcing other requirements of State law in its review of such statement, including requiring compliance with intrastate telecommunications service quality standards or requirements.

(3) Schedule for review

The State commission to which a statement is submitted shall, not later than 60 days after the date of such submission—

(A) complete the review of such statement under paragraph (2) (including any reconsideration thereof), unless the submitting carrier agrees to an extension of the period for such review; or

(B) permit such statement to take effect.

(4) Authority to continue review

Paragraph (3) shall not preclude the State commission from continuing to review a statement that has been permitted to take effect under subparagraph (B) of such paragraph or from approving or disapproving such statement under paragraph (2).

(5) Duty to negotiate not affected

The submission or approval of a statement under this subsection shall not relieve a Bell operating company of its duty to negotiate the terms and conditions of an agreement under section 251 of this title.

(g) Consolidation of State proceedings

Where not inconsistent with the requirements of this chapter, a State commission may, to the extent practical, consolidate proceedings under sections 214(e), 251(f), and 253 of this title, and this section in order to reduce administrative burdens on

telecommunications carriers, other parties to the proceedings, and the State commission in carrying out its responsibilities under this chapter.

(h) Filing required

A State commission shall make a copy of each agreement approved under subsection (e) of this section and each statement approved under subsection (f) of this section available for public inspection and copying within 10 days after the agreement or statement is approved. The State commission may charge a reasonable and nondiscriminatory fee to the parties to the agreement or to the party filing the statement to cover the costs of approving and filing such agreement or statement.

(i) Availability to other telecommunications carriers

A local exchange carrier shall make available any interconnection, service, or network element provided under an agreement approved under this section to which it is a party to any other requesting telecommunications carrier upon the same terms and conditions as those provided in the agreement.

(j) Definition of incumbent local exchange carrier

For purposes of this section, the term "incumbent local exchange carrier" has the meaning provided in section 251(h) of this title.

§ 253. Removal of barriers to entry

(a) In general

No State or local statute or regulation, or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunications service.

[47 U.S.C. § 253]

(b) State regulatory authority

Nothing in this section shall affect the ability of a State to impose, on a competitively neutral basis and consistent with section 254 of this section, requirements necessary to preserve and advance universal service, protect the public safety and welfare, ensure the continued quality of telecommunications services, and safeguard the rights of consumers.

(c) State and local government authority

Nothing in this section affects the authority of a State or local government to manage the public rights-of-way or to require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis, for use of public rights-of-way on a nondiscriminatory basis, if the compensation required is publicly disclosed by such government.

(d) Preemption

If, after notice and an opportunity for public comment, the Commission determines that a State or local government has permitted or imposed any statute, regulation, or legal requirement that violates subsection (a) or (b) of this section, the Commission shall preempt the enforcement of such statute, regulation, or legal requirement to the extent necessary to correct such violation or inconsistency.

(e) Commercial mobile service providers

Nothing in this section shall affect the application of section 332(c)(3) of this title to commercial mobile service providers.

(f) Rural markets

It shall not be a violation of this section for a State to require a telecommunications carrier that seeks to pro-

vide telephone exchange service or exchange access in a service area served by a rural telephone company to meet the requirements in section 214(e)(1) of this title for designation as an eligible telecommunications carrier for that area before being permitted to provide such service. This subsection shall not apply—

(1) to a service area served by a rural telephone company that has obtained an exemption, suspension, or modification of section 251(c)(4) of this title that effectively prevents a competitor from meeting the requirements of section 214(e)(1) of this title; and

(2) to a provider of commercial mobile services.

Part III—Special Provisions Concerning Bell Operating Companies

§ 271. Bell operating company entry into interLATA services

(a) General limitation

Neither a Bell operating company, nor any affiliate of a Bell operating company, may provide interLATA services except as provided in this section.

(b) InterLATA services to which this section applies

(1) In-region services

Bell operating company, or any affiliate of that Bell operating company, may provide interLATA services originating in any of its in-region States (as defined in subsection (i) of this section) if the Commission approves the application of such company for such State under subsection (d)(3) of this section.

[47 U.S.C. § 271]

(2) Out-of-region services

A Bell operating company, or any affiliate of that Bell operating company, may provide interLATA services originating outside its in-region States after February 8, 1996, subject to subsection (j) of this section.

(3) Incidental interLATA services

A Bell operating company, or any affiliate of a Bell operating company, may provide incidental interLATA services (as defined in subsection (g) of this section) originating in any State after February 8, 1996.

(4) Termination

Nothing in this section prohibits a Bell operating company or any of its affiliates from providing termination for interLATA services, subject to subsection (j) of this section.

(c) Requirements for providing certain in-region interLATA services

(1) Agreement or statement

A Bell operating company meets the requirements of this paragraph if it meets the requirements of subparagraph (A) or subparagraph (B) of this paragraph for each State for which the authorization is sought.

(A) Presence of a facilities-based competitor

A Bell operating company meets the requirements of this subparagraph if it has entered into one or more binding agreements that have been approved under section 252 of this title specifying the terms and conditions under which the

Bell operating company is providing access and interconnection to its network facilities for the network facilities of one or more unaffiliated competing providers of telephone exchange service (as defined in section 153(47)(A) of this title, but excluding exchange access) to residential and business subscribers. For the purpose of this subparagraph, such telephone exchange service may be offered by such competing providers either exclusively over their own telephone exchange service facilties or predominantly over their own telephone exchange service facilities in combination with the resale of the telecommunications services of another carrier. For the purpose of this subparagraph, services provided pursuant to subpart K of part 22 of the Commission's regulations (47 C.F.R. 22.901 et seq.) shall not be considered to be telephone exchange services.

(B) Failure to request access

A Bell operating company meets the requirements of this subparagraph if, after 10 months after February 8, 1996, no such provider has requested the access and interconnection described in subparagraph (A) before the date which is 3 months before the date the company makes its application under subsection (d)(1) of this section, and a statement of the terms and conditions that the company generally offers to provide such access and interconnection has been approved or permitted to take effect by the State commission under section 252(f) of this title. For purposes of this subparagraph, a Bell operating company shall be considered not to have received any request for access and inter-

[47 U.S.C. § 271]

connection if the State commission of such State certifies that the only provider or providers making such a request have (i) failed to negotiate in good faith as required by section 252 of this title, or (ii) violated the terms of an agreement approved under section 252 of this title by the provider's failure to comply, within a reasonable period of time, with the implementation schedule contained in such agreement.

(2) Specific interconnection requirements

(A) Agreement required

A Bell operating company meets the requirements of this paragraph if, within the State for which the authorization is sought—

(i)(I) such company is providing access and interconnection pursuant to one or more agreements described in paragraph (1)(A), or

(II) such company is generally offering access and interconnection pursuant to a statement described in paragraph (1)(B), and

(ii) such access and interconnection meets the requirements of subpargraph (B) of this paragraph.

(B) Competitive checklist

Access or interconnection provided or generally offered by a Bell operating company to other telecommunications carriers meets the requirements of this subparagraph if such access and interconnection includes each of the following:

(i) Interconnection in accordance with the requirements of sections 251(c)(2) and 252(d)(1) of this title.

(ii) Nondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1) of this title.

(iii) Nondiscriminatory access to the poles, ducts, conduits, and rights-of-way owned or controlled by the Bell operating company at just and reasonable rates in accordance with the requirements of section 224 of this title.

(iv) Local loop transmission from the central office to the customer's premises, unbundled from local switching or other services.

(v) Local transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services.

(vi) Local switching unbundled from transport, local loop transmission, or other services.

(vii) Nondiscriminatory access to—

(I) 911 and E911 services;

(II) directory assistance services to allow the other carrier's customers to obtain telephone numbers; and

(III) operator call completion services.

(viii) White pages directory listings for customers of the other carrier's telephone exchange service.

[47 U.S.C. § 271]

(ix) Until the date by which telecommunications numbering administration guidelines, plan, or rules are established, nondiscriminatory access to telephone numbers for assignment to the other carrier's telephone exchange service customers. After that date, compliance with such guidelines, plan, or rules.

(x) Nondiscriminatory access to databases and associated signaling necessary for call routing and completion.

(xi) Until the date by which the Commission issues regulations pursuant to section 251 of this title to require number portability, interim telecommunications number portability through remote call forwarding, direct inward dialing trunks, or other comparable arrangements, with as little impairment of functioning, quality, reliability, and convenience as possible. After that date, full compliance with such regulations.

(xii) Nondiscriminatory access to such services or information as are necessary to allow the requesting carrier to implement local dialing parity in accordance with the requirements of section 251(b)(3) of this title.

(xiii) Reciprocal compensation arrangements in accordance with the requirements of section 252(d)(2) of this title.

(xiv) Telecommunications services are available for resale in accordance with the requirements of sections 251(c)(4) and 252(d)(3) of this title.

(d) Administrative provisions

(1) Application to commission

On and after February 8, 1996, a Bell operating company or its affiliate may apply to the Commission for authorization to provide interLATA services originating in any in-region State. The application shall identify each State for which the authorization is sought.

(2) Consultation

(A) Consultation with the Attorney General

The Commission shall notify the Attorney General promptly of any application under paragraph (1). Before making any determination under this subsection, the Commission shall consult with the Attorney General, and if the Attorney General submits any comments in writing, such comments shall be included in the record of the Commission's decision. In consulting with and submitting comments to the Commission under this paragraph, the Attorney General shall provide to the Commission an evaluation of the application using any standard the Attorney General considers appropriate. The Commission shall give substantial weight to the Attorney General's evaluation, but such evaluation shall not have any preclusive effect on any Commission decision under paragraph (3).

(B) Consultation with State commissions

Before making any determination under this subsection, the Commission shall consult with the State commission of any State that is the subject of the application in order to verify the compliance of the Bell operating company with

the requirements of subsection (c) of this section.

(3) Determination

Not later than 90 days after receiving an application under paragraph (1), the Commission shall issue a written determination approving or denying the authorization requested in the application for each State. The Commission shall not approve the authorization requested in an application submitted under paragraph (1) unless it finds that—

(A) the petitioning Bell operating company has met the requirements of subsection (c)(1) of this section and—

(i) with respect to access and interconnection provided pursuant to subsection (c)(1)(A) of this section, has fully implemented the competitive checklist in subsection (c)(2)(B) of this section; or

(ii) with respect to access and interconnection generally offered pursuant to a statement under subsection (c)(1)(B) of this section, such statement offers all of the items included in the competitive checklist in subsection (c)(2)(B) of this section;

(B) the requested authorization will be carried out in accordance with the requirements of section 272 of this title; and

(C) the requested authorization is consistent with the public interest, convenience, and necessity.

The Commission shall state the basis for its approval or denial of the application.

(4) Limitation on Commission

The Commission may not, by rule or otherwise, limit or extend the terms used in the competitive checklist set forth in subsection (c)(2)(B) of this section.

(5) Publication

Not later than 10 days after issuing a determination under paragraph (3), the Commission shall publish in the Federal Register a brief description of the determination.

(6) Enforcement of conditions

(A) Commission authority

If at any time after the approval of an application under paragraph (3), the Commission determines that a Bell operating company has ceased to meet any of the conditions required for such approval, the Commission may, after notice and opportunity for a hearing—

(i) issue an order to such company to correct the deficiency;

(ii) impose a penalty on such company pursuant to title V; or

(iii) suspend or revoke such approval.

(B) Receipt and review of complaints

The Commission shall establish procedures for the review of complaints concerning failures by Bell operating companies to meet conditions required for approval under paragraph (3). Unless the parties otherwise agree, the Commission shall act on such complaint within 90 days.

[47 U.S.C. § 271]

(e) Limitations

(1) Joint marketing of local and long distance services

Until a Bell operating company is authorized pursuant to subsection (d) of this section to provide interLATA services in an in-region State, or until 36 months have passed since February 8, 1996, whichever is earlier, a telecommunications carrier that serves greater than 5 percent of the Nation's presubscribed access lines may not jointly market in such State telephone exchange service obtained from such company pursuant to section 251(c)(4) of this title with interLATA services offered by that telecommunications carrier.

(2) IntraLATA toll dialing parity

(A) Provision required

A Bell operating company granted authority to provide interLATA services under subsection (d) of this section shall provide intraLATA toll dialing parity throughout that State coincident with its exercise of that authority.

(B) Limitation

Except for single-LATA States and States that have issued an order by December 19, 1995, requiring a Bell operating company to implement intraLATA toll dialing parity, a State may not require a Bell operating company to implement intraLATA toll dialing parity in that State before a Bell operating company has been granted authority under this section to provide interLATA services originating in that State or before 3 years after February 8, 1996,

whichever is earlier. Nothing in this subparagraph precludes a State from issuing an order requiring intraLATA toll dialing parity in that State prior to either such date so long as such order does not take effect until after the earlier of either such dates.

(f) Exception for previously authorized activities

Neither subsection (a) of this section nor section 273 of this title shall prohibit a Bell operating company or affiliate from engaging, at any time after February 8, 1996, in any activity to the extent authorized by, and subject to the terms and conditions contained in, an order entered by the United States District Court for the District of Columbia pursuant to section VII or VIII(C) of the AT&T Consent Decree if such order was entered on or before February 8, 1996, to the extent such order is not reversed or vacated on appeal. Nothing in this subsection shall be construed to limit, or to impose terms or conditions on, an activity in which a Bell operating company is otherwise authorized to engage under any other provision of this section.

(g) Definition of incidental interLATA services

For purposes of this section, the term "incidental interLATA services" means the interLATA provision by a Bell operating company or its affiliate—

(1)(A) of audio programming, video programming, or other programming services to subscribers to such services of such company or affiliate;

(B) of the capability for interaction by such subscribers to select or respond to such audio programming, video programming, or other programming services;

[47 U.S.C. § 271]

(C) to distributors of audio programming or video programming that such company or affiliate owns or controls, or is licensed by the copyright owner of such programming (or by an assignee of such owner) to distribute; or

(D) of alarm monitoring services;

(2) of two-way interactive video services or Internet services over dedicated facilties to or for elementary and secondary schools as defined in section 254(h)(5) of this title;

(3) of commercial mobile services in accordance with section 332(c) of this title and with the regulations prescribed by the Commission pursuant to paragraph (8) of such section;

(4) of a service that permits a customer that is located in one LATA to retrieve stored information from, or file information for storage in, information storage facilities of such company that are located in another LATA;

(5) of signaling information used in connection with the provision of telephone exchange services or exchange access by a local exchange carrier; or

(6) of network control signaling information to, and receipt of such signaling information from, common carriers offering interLATA services at any location within the area in which such Bell operating company provides telephone exchange services or exchange access.

(h) Limitations

The provisions of subsection (g) of this section are intended to be narrowly construed. The interLATA services provided under subparagraph (A), (B), or (C) of

subsection (g)(1) of this section are limited to those interLATA transmissions incidental to the provision by a Bell operating company or its affiliate of video, audio, and other programming services that the company or its affiliate is engaged in providing to the public. The Commission shall ensure that the provision of services authorized under subsection (g) of this section by a Bell operating company or its affiliate will not adversely affect telephone exchange service ratepayers or competition in any telecommunications market.

(i) Additional definitions

As used in this section—

(1) In-region State

The term "in-region State" means a State in which a Bell operating company or any of its affliates was authorized to provide wireline telephone exchange service pursuant to the reorganization plan approved under the AT&T Consent Decree, as in effect on the day before February 8, 1996.

(2) Audio programming services

The term "audio programming services" means programming provided by, or generally considered to be comparable to programming provided by, a radio broadcast station.

(3) Video programming services; other programming services

The terms "video programming service" and "other programming services" have the same meanings as such terms have under section 522 of this title.

[47 U.S.C. § 272]

(j) Certain service applications treated as in-region service applications

For purposes of this section, a Bell operating company application to provide 800 service, private line service, or their equivalents that—

(1) terminate in an in-region State of that Bell operating company, and

(2) allow the called party to determine the inter-LATA carrier,

shall be considered an in-region service subject to the requirements of subsection (b)(1) of this section.

§ 272. Separate affiliate; safeguards

(a) Separate affiliate required for competitive activities

(1) In general

A Bell operating company (including any affiliate) which is a local exchange carrier that is subject to the requirements of section 251(c) of this title may not provide any service described in paragraph (2) unless it provides that service through one or more affiliates that—

(A) are separate from any operating company entity that is subject to the requirements of section 251(c) of this title; and

(B) meet the requirements of subsection (b) of this section.

(2) Services for which a separate affiliate is required

The services for which a separate affiliate is required by paragraph (1) are:

(A) Manufacturing activities (as defined in section 273(h) of this title).

(B) Origination of interLATA telecommunications services, other than—

(i) incidental interLATA services described in paragraphs (1), (2), (3), (5), and (6) of section 271(g) of this title;

(ii) out-of-region services described in section 271(b)(2) of this title; or

(iii) previously authorized activities described in section 271(f) of this title.

(C) InterLATA information services, other than electronic publishing (as defined in section 274(h) of this title) and alarm monitoring services (as defined in section 275(e) of this title).

(b) Structural and transactional requirements

The separate affiliate required by this section—

(1) shall operate independently from the Bell operating company;

(2) shall maintain books, records, and accounts in the manner prescribed by the Commission which shall be separate from the books, records, and accounts maintained by the Bell operating company of which it is an affiliate;

(3) shall have separate officers, directors, and employees from the Bell operating company of which it is an affiliate;

(4) may not obtain credit under any arrangement that would permit a creditor, upon default, to have recourse to the assets of the Bell operating company; and

(5) shall conduct all transactions with the Bell operating company of which it is an affiliate on an

arm's length basis with any such transactions reduced to writing and available for public inspection.

(c) Nondiscrimination safeguards

In its dealings with its affiliate described in subsection (a) of this section, a Bell operating company—

(1) may not discriminate between that company or affiliate and any other entity in the provision or procurement of goods, services, facilities, and information, or in the establishment of standards; and

(2) shall account for all transactions with an affiliate described in subsection (a) of this section in accordance with accounting principles designated or approved by the Commission.

(d) Biennial audit

(1) General requirement

A company required to operate a separate affiliate under this section shall obtain and pay for a joint Federal/State audit every 2 years conducted by an independent auditor to determine whether such company has complied with this section and the regulations promulgated under this section, and particularly whether such company has complied with the separate accounting requirements under subsection (b) of this section.

(2) Results submitted to commission; State commissions

The auditor described in paragraph (1) shall submit the results of the audit to the Commission and to the State commission of each State in which the company audited provides service, which shall make such results available for public inspection. Any party may submit comments on the final audit report.

(3) Access to documents

For purposes of conducting audits and reviews under this subsection—

(A) the independent auditor, the Commission, and the State commission shall have access to the financial accounts and records of each company and of its affiliates necessary to verify transactions conducted with that company that are relevant to the specific activities permitted under this section and that are necessary for the regulation of rates;

(B) the Commission and the State commission shall have access to the working papers and supporting materials of any auditor who performs an audit under this section; and

(C) the State commission shall implement appropriate procedures to ensure the protection of any proprietary information submitted to it under this section.

(e) Fulfillment of certain requests

A Bell operating company and an affiliate that is subject to the requirements of section 251(c) of this title

(1) shall fulfill any requests from an unaffiliated entity for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or to its affiliates;

(2) shall not provide any facilities, services, or information concerning its provision of exchange access to the affiliate described in subsection (a) of this section unless such facilities, services, or information are made available to other providers of

interLATA services in that market on the same terms and conditions;

(3) shall charge the affiliate described in subsection (a) of this section, or impute to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service; and

(4) may provide any interLATA or intraLATA facilities or services to its interLATA affiliate if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions, and so long as the costs are appropriately allocated.

(f) Sunset

(1) Manufacturing and long distance

The provisions of this section (other than subsection (e) of this section) shall cease to apply with respect to the manufacturing activities or the interLATA telecommunications services of a Bell operating company 3 years after the date such Bell operating company or any Bell operating company affiliate is authorized to provide interLATA telecommunications services under section 271(d) of this title, unless the Commission extends such 3-year period by rule or order.

(2) InterLATA information services

The provisions of this section (other than subsection (e) of this section) shall cease to apply with respect to the interLATA information services of a Bell operating company 4 years after February 8,

1996, unless the Commission extends such 4-year period by rule or order.

(3) Preservation of existing authority

Nothing in this subsection shall be construed to limit the authority of the Commission under any other section of this chapter to prescribe safeguards consistent with the public interest, convenience, and necessity.

(g) Joint marketing

(1) Affiliate sales of telephone exchange services

A Bell operating company affiliate required by this section may not market or sell telephone exchange services provided by the Bell operating company unless that company permits other entities offering the same or similar service to market and sell its telephone exchange services.

(2) Bell operating company sales of affiliate services

A Bell operating company may not market or sell interLATA service provided by an affiliate required by this section within any of its in-region States until such company is authorized to provide interLATA services in such State under section 271(d) of this title.

(3) Rule of construction

The joint marketing and sale of services permitted under this subsection shall not be considered to violate the nondiscrimination provisions of subsection (c) of this section.

(h) Transition

With respect to any activity in which a Bell operating company is engaged on February 8, 1996, such company

shall have one year from such date of enactment to comply with the requirements of this section.

§ 273. Manufacturing by Bell operating companies

(a) Authorization

A Bell operating company may manufacture and provide telecommunications equipment, and manufacture customer premises equipment, if the Commission authorizes that Bell operating company or any Bell operating company affiliate to provide interLATA services under section 271(d) of this title, subject to the requirements of this section and the regulations prescribed thereunder, except that neither a Bell operating company nor any of its affiliates may engage in such manufacturing in conjunction with a Bell operating company not so affiliated or any of its affiliates.

(b) Collaboration; research and royalty agreements

(1) Collaboration

Subsection (a) of this section shall not prohibit a Bell operating company from engaging in close collaboration with any manufacturer of customer premises equipment or telecommunications equipment during the design and development of hardware, software, or combinations thereof related to such equipment.

(2) Certain research arrangements; royalty agreements

Subsection (a) of this section shall not prohibit a Bell operating company from—

(A) engaging in research activities related to manufacturing, and

(B) entering into royalty agreements with manufacturers of telecommunications equipment.

(c) Information requirements

(1) Information on protocols and technical requirements

Each Bell operating company shall, in accordance with regulations prescribed by the Commission, maintain and file with the Commission full and complete information with respect to the protocols and technical requirements for connection with and use of its telephone exchange service facilities. Each such company shall report promptly to the Commission any material changes or planned changes to such protocols and requirements, and the schedule for implementation of such changes or planned changes.

(2) Disclosure of information

A Bell operating company shall not disclose any information required to be filed under paragraph (1) unless that information has been filed promptly, as required by regulation by the Commission.

(3) Access by competitors to information

The Commission may prescribe such additional regulations under this subsection as may be necessary to ensure that manufacturers have access to the information with respect to the protocols and technical requirements for connection with and use of telephone exchange service facilities that a Bell operating company makes available to any manufacturing affiliate or any unaffiliated manufacturer.

(4) Planning information

Each Bell operating company shall provide, to interconnecting carriers providing telephone exchange service, timely information on the planned deployment of telecommunications equipment.

[47 U.S.C. § 273]

(d) Manufacturing limitations for standard-setting organizations

(1) Application to Bell Communications Research or manufacturers

Bell Communications Research, Inc., or any successor entity or affiliate—

(A) shall not be considered a Bell operating company or a successor or assign of a Bell operating company at such time as it is no longer an affiliate of any Bell operating company; and

(B) notwithstanding paragraph (3), shall not engage in manufacturing telecommunications equipment or customer premises equipment as long as it is an affiliate of more than 1 otherwise unaffiliated Bell operating company or successor or assign of any such company.

Nothing in this subsection prohibits Bell Communications Research, Inc., or any successor entity, from engaging in any activity in which it is lawfully engaged on February 8, 1996. Nothing provided in this subsection shall render Bell Communications Research, Inc., or any successor entity, a common carrier under this subchapter. Nothing in this subsection restricts any manufacturer from engaging in any activity in which it is lawfully engaged on February 8, 1996.

(2) Proprietary information

Any entity which establishes a standards for telecommunications equipment or customer premises equipment, or generic network requirements for such equipment, or certifies telecommunications equipment or customer premises equipment, shall be prohibited from releasing or otherwise using any proprietary in-

formation, designated as such by its owner, in its possession as a result of such activity, for any purpose other than purposes authorized in writing by the owner of such information, even after such entity ceases to be so engaged.

(3) Manufacturing safeguards

(A) Except as prohibited in paragraph (1), and subject to paragraph (6), any entity which certifies telecommunications equipment or customer premises equipment manufactured by an unaffiliated entity shall only manufacture a particular class of telecommunications equipment or customer premises equipment for which it is undertaking or has undertaken, during the previous 18 months, certification activity for such class of equipment through a separate affiliate.

(B) Such separate affiliate shall—

(i) maintain books, records, and accounts separate from those of the entity that certifies such equipment, consistent with generally acceptable accounting principles;

(ii) not engage in any joint manufacturing activities with such entity; and

(iii) have segregated facilities and separate employees with such entity.

(C) Such entity that certifies such equipment shall—

(i) not discriminate in favor of its manufacturing affiliate in the establishment of standards, generic requirements, or product certification;

(ii) not disclose to the manufacturing affiliate any proprietary information that has been received at any time from an unaffiliated manu-

facturer, unless authorized in writing by the owner of the information; and

(iii) not permit any employee engaged in product certification for telecommunications equipment or customer premises equipment to engage jointly in sales or marketing of any such equipment with the affiliated manufacturer.

(4) Standard-setting entities

Any entity that is not an accredited standards development organization and that establishes industry-wide standards for telecommunications equipment or customer premises equipment, or industry-wide generic network requirements for such equipment, or that certifies telecommunications equipment or customer premises equipment manufactured by an unaffiliated entity, shall—

(A) establish and publish any industry-wide standard for, industry-wide generic requirement for, or any substantial modification of an existing industry-wide standard or industry-wide generic requirement for, telecommunications equipment, or customer premises equipment only in compliance with the following procedure—

(i) such entity shall issue a public notice of its consideration of a proposed industry-wide standard or industry-wide generic requirement;

(ii) such entity shall issue a public invitation to interested industry parties to fund and participate in such efforts on a reasonable and nondiscriminatory basis, administered in such a manner as not to unreasonably exclude any interested industry party;

(iii) such entity shall publish a text for comment by such parties as have agreed to participate in the process pursuant to clause (ii), provide such parties a full opportunity to submit comments, and respond to comments from such parties;

(iv) such entity shall publish a final text of the industry-wide standard or industry-wide generic requirement, including the comments in their entirety, of any funding party which requests to have its comments so published; and

(v) such entity shall attempt, prior to publishing a text for comment, to agree with the funding parties as a group on a mutually satisfactory dispute resolution process which such parties shall utilize as their sole recourse in the event of a dispute on technical issues as to which there is disagreeemnt between any funding party and the entity conducting such activities, except that if no dispute resolution process is agreed to by all the parties, a funding party may utilize the dispute resolution procedures established pursuant to paragraph (5) of this subsection;

(B) engage in product certification for telecommunications equipment or customer premises equipment manufactured by unaffiliated entities only if—

(i) such activity is performed pursuant to published criteria;

(ii) such activity is performed pursuant to auditable criteria; and

(iii) such activity is performed pursuant to available industry-accepted testing methods and standards, where applicable, unless otherwise agreed upon by the parties funding and performing such activity;

(C) not undertake any actions to monopolize or attempt to monopolize the market for such services; and

(D) not preferentially treat its own telecommunications equipment or customer premises equipment, or that of its affiliate, over that of any other entity in establishing and publishing industry-wide standards or industry-wide generic requirements for, and in certification of, telecommunications equipment and customer premises equipment.

(5) Alternate dispute resolution

Within 90 days after February 8, 1996, the Commission shall prescribe a dispute resolution process to be utilized in the event that a dispute resolution process is not agreed upon by all the parties when establishing and publishing any industry-wide standard or industry-wide generic requirement for telecommunications equipment or customer premises equipment, pursuant to paragraph (4)(A)(v). The Commission shall not establish itself as a party to the dispute resolution process. Such dispute resolution process shall permit any funding party to resolve a dispute with the entity conducting the activity that significantly affects such funding party's interests, in an open, nondiscriminatory, and unbiased fashion, within 30 days after the filing of such dispute. Such disputes may be filed within 15 days after the date the funding party receives a response to its comments from the entity conducting the ac-

tivity. The Commission shall establish penalties to be assessed for delays caused by referral of frivolous disputes to the dispute resolution process.

(6) Sunset

The requirements of paragraphs (3) and (4) shall terminate for the particular relevant activity when the Commission determines that there are alternative sources of industry-wide standards, industry-wide generic requirements, or product certification for a particular class of telecommunications equipment or customer premises equipment available in the United States. Alternative sources shall be deemed to exist when such sources provide commercially viable alternatives that are providing such services to customers. The Commission shall act on any application for such a determination within 90 days after receipt of such application, and shall receive public comment on such application.

(7) Administration and enforcement authority

For the purposes of administering this subsection and the regulations prescribed thereunder, the Commission shall have the same remedial authority as the Commission has in administering and enforcing the provisions of this subchapter with respect to any common carrier subject to this chapter.

(8) Definitions

For purposes of this subsection:

(A) The term "affiliate" shall have the same meaning as in section 153 of this title, except that, for purposes of paragraph (1)(B)—

(i) an aggregate voting equity interest in Bell Communications Research, Inc., of

at least 5 percent of its total voting equity, owned directly or indirectly by more than 1 otherwise unaffiliated Bell operating-company, shall constitute an affiliate relationship; and

(ii) a voting equity interest in Bell Communications Research, Inc., by any otherwise unaffiliated Bell operating company of less than 1 percent of Bell Communications Research's total voting equity shall not be considered to be an equity interest under this paragraph.

(B) The term "generic requirement" means a description of acceptable product attributes for use by local exchange carriers in establishing product specifications for the purchase of telecommunications equipment, customer premises equipment, and software integral thereto.

(C) The term "industry-wide" means activities funded by or performed on behalf of local exchange carriers for use in providing wireline telephone exchange service whose combined total of deployed access lines in the United States constitutes at least 30 percent of all access lines deployed by telecommunications carriers in the United States as of February 8, 1996.

(D) The term "certification" means any technical process whereby a party determines whether a product, for use by more than one local exchange carrier, conforms with the specified requirements pertaining to such product.

(E) The term "accredited standards development organization" means an entity composed of industry members which has been accredited

by an institution vested with the responsibility for standards accreditation by the industry.

(e) Bell operating company equipment procurement and sales

(1) Nondiscrimination standards for manufacturing

In the procurement or awarding of supply contracts for telecommunications equipment, a Bell operating company, or any entity acting on its behalf, for the duration of the requirement for a separate subsidiary including manufacturing under this chapter—

(A) shall consider such equipment, produced or supplied by unrelated persons; and

(B) may not discriminate in favor of equipment produced or supplied by an affiliate or related person.

(2) Procurement standards

Each Bell operating company or any entity acting on its behalf shall make procurement decisions and award all supply contracts for equipment, services, and software on the basis of an objective assessment of price, quality, delivery, and other commercial factors.

(3) Network planning and design

A Bell operating company shall, to the extent consistent with the antitrust laws, engage in joint network planning and design with local exchange carriers operating in the same area of interest. No participant in such planning shall be allowed to delay the introduction of new technology or the deployment of facilities to provide telecommunications serv-

ices, and agreement with such other carriers shall not be required as a prerequisite for such introduction or deployment.

(4) Sales restrictions

Neither a Bell operating company engaged in manufacturing nor a manufacturing affiliate of such a company shall restrict sales to any local exchange carrier of telecommunications equipment, including software integral to the operation of such equipment and related upgrades.

(5) Protection of proprietary information

A Bell operating company and any entity it owns or otherwise controls shall protect the proprietary information submitted for procurement decisions from release not specifically authorized by the owner of such information.

(f) Administration and enforcement authority

For the purposes of administering and enforcing the provisions of this section and the regulations prescribed thereunder, the Commission shall have the same authority, power, and functions with respect to any Bell operating company or any affiliate thereof as the Commission has in administering and enforcing the provisions of this subchapter with respect to any common carrier subject to this chapter.

(g) Additional rules and regulations

The Commission may prescribe such additional rules and regulations as the Commission determines are necessary to carry out the provisions of this section, and otherwise to prevent discrimination and cross-subsidization in a Bell operating company's dealings with its affiliate and with third parties.

(h) Definition

As used in this section, the term "manufacturing" has the same meaning as such term has under the AT&T Consent Decree.

§ 274. Electronic publishing by Bell operating companies

(a) Limitations

No Bell operating company or any affiliate may engage in the provision of electronic publishing that is disseminated by means of such Bell operating company's or any of its affiliates' basic telephone service, except that nothing in this section shall prohibit a separated affiliate or electronic publishing joint venture operated in accordance with this section from engaging in the provision of electronic publishing.

(b) Separated affiliate or electronic publishing joint venture requirements

A separated affiliate or electronic publishing joint venture shall be operated independently from the Bell operating company. Such separated affiliate or joint venture and the Bell operating company with which it is affiliated shall—

(1) maintain separate books, records, and accounts and prepare separate financial statements;

(2) not incur debt in a manner that would permit a creditor of the separated affiliate or joint venture upon default to have recourse to the assets of the Bell operating company;

(3) carry out transactions (A) in a manner consistent with such independence, (B) pursuant to written contracts or tariffs that are filed with the Commission and made publicly available, and (C) in

a manner that is auditable in accordance with generally accepted auditing standards;

(4) value any assets that are transferred directly or indirectly from the Bell operating company to a separated affiliate or joint venture, and record any transactions by which such assets are transferred, in accordance with such regulations as may be prescribed by the Commission or a State commission to prevent improper cross subsidies;

(5) between a separated affiliate and a Bell operating company—

(A) have no officers, directors, and employees in common after the effective date of this section; and

(B) own no property in common;

(6) not use for the marketing of any product or service of the separated affiliate or joint venture, the name, trademarks, or service marks of an existing Bell operating company except for names, trademarks, or service marks that are owned by the entity that owns or controls the Bell operating company;

(7) not permit the Bell operating company—

(A) to perform hiring or training of personnel on behalf of a separated affiliate;

(B) to perform the purchasing, installation, or maintenance of equipment on behalf of a separated affiliate, except for telephone service that it provides under tariff or contract subject to the provisions of this section; or

(C) to perform research and development on behalf of a separated affiliate;

(8) each have performed annually a compliance review—

(A) that is conducted by an independent entity for the purpose of determining compliance during the preceding calendar year with any provision of this section; and

(B) the results of which are maintained by the separated affiliate or joint venture and the Bell operating company for a period of 5 years subject to review by any lawful authority; and

(9) within 90 days of receiving a review described in paragraph (8), file a report of any exceptions and corrective action with the Commission and allow any person to inspect and copy such report subject to reasonable safeguards to protect any proprietary information contained in such report from being used for purposes other than to enforce or pursue remedies under this section.

(c) Joint marketing

(1) In general

Except as provided in paragraph (2)—

(A) a Bell operating company shall not carry out any promotion, marketing, sales, or advertising for or in conjunction with a separated affiliate; and

(B) a Bell operating company shall not carry out any promotion, marketing, sales, or advertising for or in conjunction with an affiliate that is related to the provision of electronic publishing.

[47 U.S.C. § 274]

(2) Permissible joint activities

(A) Joint telemarketing

A Bell operating company may provide inbound telemarketing or referral services related to the provision of electronic publishing for a separated affiliate, electronic publishing joint venture, affiliate, or unaffiliated electronic publisher: Provided, That if such services are provided to a separated affiliate, electronic publishing joint venture, or affiliate, such services shall be made available to all electronic publishers on request, on nondiscriminatory terms.

(B) Teaming arrangements

A Bell operating company may engage in nondiscriminatory teaming or business arrangements to engage in electronic publishing with any separated affiliate or with any other electronic publisher if (i) the Bell operating company only provides facilities, services, and basic telephone service information as authorized by this section, and (ii) the Bell operating company does not own such teaming or business arrangement.

(C) Electronic publishing joint ventures

A Bell operating company or affiliate may participate on a nonexclusive basis in electronic publishing joint ventures with entities that are not a Bell operating company, affiliate, or separated affiliate to provide electronic publishing services, if the Bell operating company or affiliate has not more than a 50 percent direct or indirect equity interest (or the equivalent thereof) or the right to more than 50 percent of the

gross revenues under a revenue sharing or royalty agreement in any electronic publishing joint venture. Officers and employees of a Bell operating company or affiliate participating in an electronic publishing joint venture may not have more than 50 percent of the voting control over the electronic publishing joint venture. In the case of joint ventures with small, local electronic publishers, the Commission for good cause shown may authorize the Bell operating company or affiliate to have a larger equity interest, revenue share, or voting control but not to exceed 80 percent. A Bell operating company participating in an electronic publishing joint venture may provide promotion, marketing, sales, or advertising personnel and services to such joint venture.

(d) Bell operating company requirement

A Bell operating company under common ownership or control with a separated affiliate or electronic publishing joint venture shall provide network access and interconnections for basic telephone service to electronic publishers at just and reasonable rates that are tariffed (so long as rates for such services are subject to regulation) and that are not higher on a per-unit basis than those charged for such services to any other electronic publisher or any separated affiliate engaged in electronic publishing.

(e) Private right of action

(1) Damages

Any person claiming that any act or practice of any Bell operating company, affiliate, or separated affiliate constitutes a violation of this section may file

a complaint with the Commission or bring suit as provided in section 207 of this title, and such Bell operating company, affiliate, or separated affiliate shall be liable as provided in section 206 of this title; except that damages may not be awarded for a violation that is discovered by a compliance review as required by subsection (b)(7) of this section and corrected within 90 days.

(2) Cease and desist orders

In addition to the provisions of paragraph (1), any person claiming that any act or practice of any Bell operating company, affiliate, or separated affiliate constitutes a violation of this section may make application to the Commission for an order to cease and desist such violation or may make application in any district court of the United States of competent jurisdiction for an order enjoining such acts or practices or for an order compelling compliance with such requirement.

(f) Separated affiliate reporting requirement

Any separated affiliate under this section shall file with the Commission annual reports in a form substantially equivalent to the Form 10-K required by regulations of the Securities and Exchange Commission.

(g) Effective dates

(1) Transition

Any electronic publishing service being offered to the public by a Bell operating company or affiliate on February 8, 1996, shall have one year from February 8, 1996, to comply with the requirements of this section.

(2) Sunset

The provisions of this section shall not apply to conduct occurring after 4 years after February 8, 1996.

(h) Definition of electronic publishing

(1) In general

The term "electronic publishing" means the dissemination, provision, publication, or sale to an unaffiliated entity or person, of any one or more of the following: news (including sports); entertainment (other than interactive games); business, financial, legal, consumer, or credit materials; editorials, columns, or features; advertising; photos or images; archival or research material; legal notices or public records; scientific, educational, instructural, technical, professional, trade, or other literary materials; or other like or similar information.

(2) Exceptions

The term "electronic publishing" shall not include the following services:

(A) Information access, as that term is defined by the AT&T Consent Decree.

(B) The transmission of information as a common carrier.

(C) The transmission of information as part of a gateway to an information service that does not involve the generation or alteration of the content of information, including data transmission, address translation, protocol conversion, billing management, introductory information content, and navigational systems that enable users to access electronic publishing services,

which do not affect the presentation of such electronic publishing services to users.

(D) Voice storage and retrieval services, including voice messaging and electronic mail services.

(E) Data processing or transaction processing services that do not involve the generation or alteration of the content of information.

(F) Electronic billing or advertising of a Bell operating company's regulated telecommunications services.

(G) Language translation or data format conversion.

(H) The provision of information necessary for the management, control, or operation of a telephone company telecommunications system.

(I) The provision of directory assistance that provides names, addresses, and telephone numbers and does not include advertising.

(J) Caller identification services.

(K) Repair and provisioning databases and credit card and billing validation for telephone company operations.

(L) 911-E and other emergency assistance databases.

(M) Any other network service of a type that is like or similar to these network services and that does not involve the generation or alteration of the content of information.

(N) Any upgrades to these network services that do not involve the generation or alteration of the content of information.

(O) Video programming or full motion video entertainment on demand.

(i) Additional definitions

As used in this section—

(1) The term "affiliate" means any entity that, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with, a Bell operating company. Such term shall not include a separated affiliate.

(2) The term "basic telephone service" means any wireline telephone exchange service, or wireline telephone exchange service facility, provided by a Bell operating company in a telephone exchange area, except that such term does not include—

(A) a competitive wireline telephone exchange service provided in a telephone exchange area where another entity provides a wireline telephone exchange service that was provided on January 1, 1984, or

(B) a commercial mobile service

(3) The term "basic telephone service information" means network and customer information of a Bell operating company and other information acquired by a Bell operating company as a result of its engaging in the provision of basic telephone service.

(4) The term "control" has the meaning that it has in 17 C.F.R. 240.12b-2, the regulations promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) or any successor provision to such section.

[47 U.S.C. § 274]

(5) The term "electronic publishing joint venture" means a joint venture owned by a Bell operating company or affiliate that engages in the provision of electronic publishing which is disseminated by means of such Bell operating company's or any of its affiliates' basic telephone service.

(6) The term "entity" means any organization, and includes corporations, partnerships, sole proprietorships, associations, and joint ventures.

(7) The term "inbound telemarking" means the marketing of property, goods, or services by telephone to a customer or potential customer who initiated the call.

(8) The term "own" with respect to an entity means to have a direct or indirect equity interest (or the equivalent thereof) of more than 10 percent of an entity, or the right to more than 10 percent of the gross revenues of an entity under a revenue sharing or royalty agreement.

(9) The term "separated affiliate" means a corporation under common ownership or control with a Bell operating company that does not own or control a Bell operating company and is not owned or controlled by a Bell operating company and that engages in the provision of electronic publishing which is disseminated by means of such Bell operating company's or any of its affiliates' basic telephone service.

(10) The term "Bell operating company" has the meaning provided in section 153 of this title, except that such term includes any entity or corporation that is owned or controlled by such a company (as so defined) but does not include an electronic publishing joint venture owned by such an entity or corporation.

§ 275. Alarm monitoring services

(a) Delayed entry into alarm monitoring

(1) Prohibition

No Bell operating company or affiliate thereof shall engage in the provision of alarm monitoring services before the date which is 5 years after February 8, 1996.

(2) Existing activities

Paragraph (1) does not prohibit or limit the provision, directly or through an affiliate, of alarm monitoring services by a Bell operating company that was engaged in providing alarm monitoring services as of November 30, 1995, directly or through an affiliate. Such Bell operating company or affiliate may not acquire any equity interest in, or obtain financial control of, any unaffiliated alarm monitoring service entity after November 30, 1995, and until 5 years after February 8, 1996, except that this sentence shall not prohibit an exchange of customers for the customers of an unaffiliated alarm monitoring service entity.

(b) Nondiscrimination

An incumbent local exchange carrier (as defined in section 251(h) of this title) engaged in the provision of alarm monitoring services shall—

(1) provide nonaffiliated entities, upon reasonable request, with the network services it provides to its own alarm monitoring operations, on nondiscriminatory terms and conditions; and

(2) not subsidize its alarm monitoring services either directly or indirectly from telephone exchange service operations.

[47 U.S.C. § 275]

(c) Expedited consideration of complaints

The Commission shall establish procedures for the receipt and review of complaints concerning violations of subsection (b) of this section or the regulations thereunder that result in material financial harm to a provider of alarm monitoring service. Such procedures shall ensure that the Commission will make a final determination with respect to any such complaint within 120 days after receipt of the complaint. If the complaint contains an appropriate showing that the alleged violation occurred, as determined by the Commission in accordance with such regulations, the Commission shall, within 60 days after receipt of the complaint, order the incumbent local exchange carrier (as defined in section 251(h) of this title) and its affiliates to cease engaging in such violation pending such final determination.

(d) Use of data

A local exchange carrier may not record or use in any fashion the occurrence or contents of calls received by providers of alarm monitoring services for the purposes of marketing such services on behalf of such local exchange carrier, or any other entity. Any regulations necessary to enforce this subsection shall be issued initially within 6 months after February 8, 1996.

(e) Definition of alarm monitoring service

The term "alarm monitoring service" means a service that uses a device located at a residence, place of business, or other fixed premises—

> **(1)** to receive signals from other devices located at or about such premises regarding a possible threat at such premises to life, safety, or property, from burglary, fire, vandalism, bodily injury, or other emergency, and

(2) to transmit a signal regarding such threat by means of transmission facilities of a local exchange carrier or one of its affiliates to a remote monitoring center to alert a person at such center of the need to inform the customer or another person or police, fire, rescue, security, or public safety personnel of such threat,

but does not include a service that uses a medical monitoring device attached to an individual for the automatic surveillance of an ongoing medical condition.

[1996 Act § 601]

The Telecommunications Act of 1996 also provides in P.L. 104-104:

Sec. 601. Applicability of Consent Decrees and Other Law

(a) Applicability of amendments to future conduct.—

(1) AT&T Consent Decrees.—Any conduct or activity that was, before the date of enactment of this Act [Feb. 8, 1996], subject to any restriction or obligation imposed by the AT&T Consent Decree shall, on and after such date, be subject to the restrictions and obligations imposed by the Communications Act of 1934 as amended by this Act [this chapter as amended by the Telecommunications Act of 1996, Pub. L. 104-104, Feb. 8, 1996, 110 Stat. 56, for distribution of which see Short Title note set out under section 609 of this title] and shall not be subject to the restrictions and the obligations imposed by such Consent Decree.

(2) GTE Consent Decree.—Any conduct or activity that was, before the date of enactment of this Act [Feb. 8, 1996], subject to any restriction or obligation imposed by the GTE Consent Decree shall, on and after such date, be subject to the restrictions and obligations imposed by the Communications Act of 1934 as amended by this Act and shall not be subject to the restrictions and the obligations imposed by such Consent Decree.

(3) McCaw Consent Decree.—Any conduct or activity that was, before the date of enactment of this Act [Feb. 8, 1996], subject to any restriction or obligation imposed by the McCaw Consent Decree shall, on and after such date, be subject to the restrictions and obligations imposed by the Communications Act of 1934 as amended by this Act and subsection (d) of this section and shall not be subject to the restrictions and the obligations imposed by such Consent Decree.

[1996 Act § 601]

(b) Antitrust laws.—

(1) Savings clause.—Except as provided in paragraphs (2) and (3), nothing in this Act or the amendments made by this Act [Telecommunications Act of 1996, Pub.L. 104-104, Feb. 8, 1996, 110 Stat. 56, for distribution of which see Short Title note set out under section 609 of this title] shall be construed to modify, impair, or supersede the applicability of any of the antitrust laws.

(2) Repeal.—[Par. (2) repealed subsection (a) of section 221 of this title].

(3) Clayton Act.—[Par. (3) amended section 18 of Title 15, Commerce and Trade].

(c) Federal, State, and local law.—

(1) No implied effect.—This Act and the amendments made by this Act shall not be construed to modify, impair, or supersede Federal, State, or local law unless expressly so provided in such Act or amendments.

(2) State tax savings provision.—Notwithstanding paragraph (1), nothing in this Act or the amendments made by this Act shall be construed to modify, impair, or supersede, or authorize the modification, impairment, or supersession of, any State or local law pertaining to taxation, except as provided in sections 622 and 653(c) of the Communications Act of 1934 [sections 542 and 573(c) of this title] and section 602 of this Act [set out as a note under this section].

(d) Commercial mobile service joint marketing.—Notwithstanding section 22.903 of the Commission's regulations (47 C.F.R. 22.903) or any other Commission regulation, a Bell operating company or any other company may, except as provided in sections 271(e)(1) and 272 of the Communications Act of 1934 as amended by this Act [sections 271(e)(1) and 272 of this title] as they relate to wireline service, jointly market and sell commercial mobile services in conjunction with telephone exchange service, exchange access, intraLATA telecom-

[1996 Act § 601]

munications service, interLATA telecommunications service, and information services.

(e) Definitions.—As used in this section:

(1) AT&T Consent Decree.—The term "AT&T Consent Decree" means the order entered August 24, 1982, in the antitrust action styled United States v. Western Electric, Civil Action No. 82-0192, in the United States District Court for the District of Columbia, and includes any judgment or order with respect to such action entered on or after August 24, 1982.

(2) GTE Consent Decree.—The term "GTE Consent Decree" means the order entered December 21, 1984, as restated January 11, 1985, in the action styled United States v. GTE Corp., Civil Action No. 83-1298, in the United States District Court for the District of Columbia, and any judgment or order with respect to such action entered on or after December 21, 1984.

(3) McCaw Consent Decree.—The term "McCaw Consent Decree" means the proposed consent decree filed on July 15, 1994, in the antitrust action styled United States v. AT&T Corp. and McCaw Cellular Communications, Inc., Civil Action No. 94-01555, in the United States District Court for the District of Columbia. Such term includes any stipulation that the parties will abide by the terms of such proposed consent decree until it is entered and any order entering such proposed consent decree.

(4) Antitrust laws.—The term "antitrust laws" has the meaning given it in subsection (a) of the first section of the Clayton Act (15 U.S.C. 12(a)) [section 12(a) of Title 15], except that such term includes the Act of June 19, 1936 (49 Stat. 1526; 15 U.S.C. 13 et seq.) [sections 13, 13a, 13b, and 21a of Title 15], commonly known as the Robinson-Patman Act, and section 5 of the Federal Trade Commission Act (15 U.S.C. 45) [section 45 of Title 15] to the extent that such section 5 applies to unfair methods of competition."